

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
20	12/14/09	Open	Action	12/01/09

Subject: Review the FY2009 Comprehensive Annual Financial Report (CAFR), Reports Compliance Control and the Management Letter

ISSUE

Whether to receive and file the Comprehensive Annual Financial Report (CAFR), Reports on Compliance and Internal Control as required by OMB Circular A-133 and the Transportation Development Act, and the Management Letter for the Fiscal Year ended June 30, 2009.

RECOMMENDED ACTION

Motion: Receive and File the FY2009 Comprehensive Annual Financial Report (CAFR), Reports on Compliance Control as required by OMB A-133 and the Transportation Development Act, and Management Letter for Fiscal Year 2009.

FISCAL IMPACT

None

DISCUSSION

Each fiscal year, the District prepares a Comprehensive Annual Financial Report (CAFR), and Reports on Compliance and Internal Control as required by OMB Circular A-133 and the Transportation Development Act. In addition, the District annually receives a Management Letter which summarizes any opportunities for strengthening internal controls and operating efficiencies.

The District received an unqualified (clean) opinion on the CAFR and OMB Circular A-133 reports from its new external auditors, Macias, Gini & O'Connell, LLP., for the fiscal year ended June 30, 2009. Moreover, no material weaknesses involving the District's financial reporting or internal control processes were identified. The Management Letter contained six recommendations that staff considered and will be implementing. The first recommendation is a financial process improvement and the remaining five address IT system process and data recovery improvements.


Financial Results Summary:

The CAFR presentation and classifications are intended to provide a picture of the District's year-end financial position as well as the results of operations. Overall, and as reflected in the Financial Section of the CAFR (see Attachment 1 – Statement of Revenue and Expenses), the District realized an operating income of \$18.4 million as of June 30, 2009. This figure includes \$1.5 million from operations and \$16.9 million in contributions received in support of the District's Capital Program. For additional analysis, refer to the Management Discussion and Analysis (MD&A) section found within the CAFR document.

Approved:


General Manager/CEO

Presented:


Director, Finance and Treasury

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Summary

The CAFR presentation differs from the District's operating and capital budgets in that the CAFR combines both operating and capital activities. As such, Attachment 1 is provided to show the District's operating and capital funds separately. As of June 30, 2009, the District's operating results were as follows \$32.6 million in fare revenues, \$139.8 million in Operating Expenses, \$108.7 million in Non-Operating Revenues (Expenses).

Budget to Actual Summary (Attachment 2)

Budget to actual highlights include net favorable (unfavorable) variances in: operating revenues of (\$4.7) million, operating expenses of \$6.1 million, and non-operating revenues (expenses) of \$4.4 million.

Operating Revenues

The District's FY 2009 total operating revenue and non-operating revenues totaled \$36.9. The net unfavorable operating revenues variance of (\$4.7) million was primarily due to a shortfall in expected fare revenue which may be attributed to changes in customer buying patterns resulting from furloughs and a rise in unemployment.

Operating Expenses

Operating expenses totaled \$139.8 million; a favorable variance of \$6.1 million from the adopted budget of \$145.9 million. The net favorable operating expense variance can be attributed to savings from the successful resolution of public liability, property damage, and workers compensation claims at a lower rate than originally anticipated; the implementation of an indirect cost recovery plan; and other cost containment efforts.

Non-Operating Revenues (Expenses)

The net favorable non-operating revenue (expense) variance of \$4.4 million can be attributed to an increase in Federal revenues, more specifically, \$8 million of stimulus funds, and a corresponding decrease in expected state and local sales tax revenues.

Operating Results

The Districted concluded the year with an operating income of \$1.5 million. This amount will be part of the budgeted "carryover" in FY 2010. The following documents (Attachments 1-5) are submitted to the Board for receipt and filing:

- Fiscal Year 2009 Revenue and Expense per Funding Designations – Attachment 1
- Fiscal Year 2009 Statement of Revenue and Expenses – Attachment 2
- The Comprehensive Annual Financial Report (CAFR) – Attachment 3
- OMB Circular A-133 and Transportation Development Act (TDA) – Attachment 4
- Management Letter – Attachment 5

Fiscal year 2009
Statement of Revenues and Expenses
Per Funding Designation

Statement of Revenues and Expenses	FY 2009 Funding Designation		
	Operations	Capital Improvement Program	Total
OPERATING REVENUES (Fares)	\$ 32,571,459	\$ -	\$ 32,571,459
OPERATING EXPENSES			
Labor and Fringe Benefits	91,580,300		91,580,300
Professional and Other Services	26,290,035	294,271	26,584,306
Spare Parts and Supplies	9,851,583	3,098,558	12,950,141
Utilities	5,544,739		5,544,739
Casualty and Liability Costs	7,104,114		7,104,114
Depreciation and Amortization		30,698,602	30,698,602
Indirect Costs Allocated to Capital Programs	(2,171,760)		(2,171,760)
Other	1,630,016	50,000	1,680,016
Total Operating Expenses	139,829,027	34,141,431	173,970,458
Loss from Operations	(107,257,568)	(34,141,431)	(141,398,999)
NON-OPERATING REVENUES (EXPENSES)			
Operating Assistance			
State and Local	70,724,997		70,724,997
Federal	30,309,075	478,469	30,787,544
Investment Income	8,852,743	58,096	8,910,839
Interest Expense	(8,706,486)	(447,549)	(9,154,035)
Pass Through to Subrecipients	-	(478,468)	(478,468)
Contract Services	4,311,430		4,311,430
Other	3,262,249	42,220	3,304,469
Total Non-operating Revenues (Expense)	108,754,008	(347,232)	108,406,776
Income (Loss) Before Capital Contributions	1,496,440	(34,488,663)	(32,992,223)
Capital Contributions			
State and Local		42,441,018	42,441,018
Federal		8,984,598	8,984,598
Net Income	\$ 1,496,440	\$ 16,936,953	\$ 18,433,393
Summary			
Operating Revenue	\$ 32,571,459		\$ 32,571,459
Non Operating Revenue	108,754,008	\$ 51,078,384	159,832,392
Total Revenue	141,325,467	51,078,384	192,403,851
Operating Expense	139,829,027	34,141,431	173,970,458
Net Income	\$ 1,496,440	\$ 16,936,953	\$ 18,433,393

Fiscal Year 2009
Statement of Revenues and Expenses
Operating Budget to Actual Expenses

Statement of Revenues and Expenses	FY 2009 Budget to Actual Expenses			
	Approved Budget	Adjusted Operating Results	Variance (Unfavorable)/ Favorable	Percent Variance
OPERATING REVENUES				
Fares	\$ 36,807,726	\$ 32,571,459	\$ (4,236,267)	-11.5%
Contracted Services	4,743,945	4,311,430	(432,515)	-9.1%
Subtotal	41,551,671	36,882,889	(4,668,782)	-11.2%
OPERATING EXPENSES				
Labor and Fringe Benefits	91,131,283	91,580,300	(449,017)	-0.5%
Professional and Other Services	26,044,979	26,290,035	(245,056)	-0.9%
Spare Parts and Supplies	10,387,350	9,851,583	535,767	5.2%
Utilities	5,592,000	5,544,739	47,261	0.8%
Casualty and Liability Costs	10,144,889	7,104,114	3,040,775	30.0%
Depreciation and Amortization	-	-	-	
Indirect Costs Allocated to Capital Programs	-	(2,171,760)	2,171,760	N/A
Other	2,670,106	1,630,016	1,040,090	39.0%
Total Operating Expenses	145,970,607	139,829,027	6,141,580	4.2%
(Loss) Income from Operations	(104,418,936)	(102,946,138)	1,472,798	-1.4%
NON-OPERATING REVENUES (EXPENSES)				
Operating Assistance				
State and Local	73,353,153	70,724,997	(2,628,156)	-3.6%
Federal	22,819,503	30,309,075	7,489,572	32.8%
Investment Income/Expense	550,000	146,257	(403,743)	-73.4%
Advertising	1,164,000	964,716	(199,284)	-17.1%
Commercial Income/Other	2,145,292	2,297,533	152,241	7.1%
Total Non-operating Revenues (Exp)	100,031,948	104,442,578	4,410,630	4.4%
BUDGETED FY09 Carryover	4,386,988	-	4,386,988	
Net Income/Loss	\$ -	\$ 1,496,440		
Summary				
Operating Revenue	\$ 41,551,671	\$ 36,882,889		
Non Operating Revenue	100,031,948	104,442,578		
Total Operating and Non Operating Revenues	141,583,619	141,325,467		
Budgeted FY09 Carryover	4,386,988	-		
Total Funds Available for FY09	145,970,607	141,325,467		
Operating Expense	145,970,607	139,829,027		
FY 09 Net Income	\$ -	\$ 1,496,440		

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Sacramento Regional Transit District for the Fiscal Years Ended
June 30, 2009 and 2008

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Regional Transit

Sacramento Regional
Transit District
A Public Transit Agency
and Equal Opportunity Employer

Mailing Address:

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Sacramento, CA 95812-2110

Administrative Office:

1400 29th Street
Sacramento, CA 95816
(916) 321-2800
(29th St. Light Rail Station/
Bus 36,38,50,67,68)

Light Rail Office:

2700 Academy Way
Sacramento, CA 95815
(916) 648-8400

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December 14, 2009

To the Board of Directors and Citizens Served by Sacramento Regional Transit District:

Sacramento Regional Transit District ("the District") is required to undergo an annual audit in conformity with the provisions of the Single Audit Act and U.S. Office of Management and Budget Circular A-133 as it pertains to audits of state and local governments. State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller of the United States. Pursuant to that requirement, the District hereby issues the Comprehensive Annual Financial Report (CAFR) of the District for the fiscal years ended June 30, 2009 and 2008.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District annually commissions an independent audit of its account records, consistent with the Sacramento Regional Transit District Board of Directors (Board) fiduciary duty to preserve and protect District assets and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Macias Gini & O'Connell LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the District's financial statements for the fiscal years ended June 30, 2009 and 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there are no material weaknesses to report and that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal years ended June 30, 2009 and 2008, are fairly presented in conformity with GAAP.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately-issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditor's report of Macias Gini & O'Connell LLP.

Profile of the District

The District began operation on April 1, 1973, with the acquisition of the Sacramento Transit Authority. The District is the largest public transportation provider in the Sacramento Valley, serving a metropolitan population of over 1.4 million with a service area of 418 square miles. In 1971, California legislation allocated sales tax money for local and statewide transit service and created the organizational framework for the District pursuant to the Sacramento Regional Transit District Act.

An eleven-member Board is responsible for governing the District. The Board is comprised of four members of the Sacramento City Council, three members of the Sacramento County Board of Supervisors, one member of the Rancho Cordova City Council, one member of the Citrus Heights City Council, one member of the Folsom City Council and one member of the Elk Grove City Council. The Board of Directors is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the District's General Manager/Chief Executive Officer (GM/CEO) and Chief Legal Counsel. The District's GM/CEO is responsible for carrying out the policies and ordinances of the Board for overseeing the day-to-day operations of the District, and for appointing the heads of the various divisions.

The District provides bus and light rail service 365 days a year. Annual ridership has steadily increased on both the bus and light rail system; from 14 million passengers in 1987, when light rail operations began, to 35 million passengers in fiscal year ended June 30, 2009. The District's entire bus and light rail system is accessible to the disabled community. Additionally, through a contract with Paratransit Inc., the District provides origin-to-destination transportation service for Sacramento area residents unable to use fixed-route service. This special service has increased 100 percent from its 1993 inception.

The annual budget serves as the foundation for the District's financial planning and control. The budget is a financial plan for one fiscal year of operating and capital investments. The plan matches revenues with the service expenses and project cost expenses based on policies set by the District's Board. The budget process follows three basic steps that help provide continuity in decision making: 1) assess current conditions and needs and develop goals, objectives, policies and plans; 2) prioritize projects and develop a work program, and 3) implement those plans and policies and prepares to evaluate their effectiveness and shortcomings. All division executive heads of the District are required to submit requests for appropriation to the GM/CEO by the last business day of January each year. The District's GM/CEO uses these requests as the starting point for developing a proposed budget. The

District's GM/CEO then presents this proposed budget to the Board for a sixty-day public review period beginning in April. Following the review period, the District is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the District's fiscal year. The budget is prepared by fund (operating or capital) and department (e.g., safety) or by capital project. Division heads may make transfers of appropriations within a department. Transfers of appropriations between divisions, however require the special approval of the GM/CEO. Any changes to total appropriations occurring after Board adoption of the budget for a fiscal year requires the approval of the Board.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy The District operates within the greater Sacramento area. The region, which includes six counties (El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba), has varied state governmental services and a light industrial base that adds to the relative stability of its employment rate. The annual unemployment rate for the Sacramento area in 2009 was 11.1 percent, up from 7.2 percent in 2008. The Sacramento area's annual unemployment rate is forecast to climb to 12.6 – 13.5 percent in the spring of 2010 before improving in 2011.

A significant portion of the District's operating assistance is derived from sales tax revenues. Taxable sales from all outlets in the Sacramento area have declined annually from their 2006 peak. Taxable sales fell 1.7 percent in 2009.

Residential construction, as measured by building permits, has declined steadily since 2005. New home construction, often considered the base for economic recovery, is expected to increase in 2010, but will remain at its second lowest level in fifty years. This increase is expected to triple in 2013 as the economy recovers.

The Sacramento area's economy is expected to continue to struggle next year, as new-home construction remains sluggish and the unemployment rate rises.

TransitAction Plan The TransitAction Plan is the District's vision for the next 25 years. Since the District's last Transit Master Plan was produced in 1993, the Sacramento region has seen significant population growth with an expanding low density land use form. With population and employment locations becoming even more dispersed, it has become even more difficult for the District to provide affordable, effective transit service.

In response to continued sprawl and large forecast increases in population, employment and households as well as an aging population in the Sacramento region over the next 30-50 years, the Sacramento Area Council of Governments (SACOG) has produced a land use *Blueprint* for the future of the region. The Blueprint is based on "smart growth" principles with a focus on high quality, higher density, mixed use neighborhoods, which are designed with a greater emphasis on walking, cycling and transit use. These livable communities will be designed with "complete streets" so that there is less reliance on the private car providing for a more sustainable future.

The 2008 spike in gas prices and the 2009 recession have highlighted that economic conditions have a considerable impact on where people chose to live and work and how they travel as evidenced by record levels of transit ridership recorded last year. Gas prices are likely to

increase in the long term and congestion is expected to only get worse with population growth. The District already provides a vital service to the region but there is now a need for a comprehensive step change in the quality, coverage and frequency of transit, making it a real transportation choice that is clean, convenient, reliable, efficient and affordable.

Over the past twenty years, the District has continued to invest in transit infrastructure and services. The Light Rail system, opened in 1987, has continued to expand and bus services have been modernized with a fleet of natural gas-powered vehicles. Despite these improvements, Transit services continue to capture only a small part of the travel market in the region. High car ownership levels and cheap gas have contributed to the “transit challenge.”

The TransitAction Plan includes the following transit network and supporting services:

- Major investments in capital projects (transit network expansion and improvements to stations/stops access)
- New multi-functional transfer centers that will provide easy and convenient interchange between modes and services
- Major investments in operations to provide a comprehensive network with high-frequency services and longer operating hours
- Expanded fleet size
- Improvements to information, ticketing, stops and stations, wayfinding, as well as further funding for safety and security

Balanced Funding Concepts While the District has extensive plans for future expansion and improvement of light rail and bus services, it faces significant capital replacement and infrastructure maintenance needs for its existing bus and light rail systems. As a result, it is increasingly important to ensure the availability of financial resources to maintain existing levels of service and to fund capital and operating expenditures related to proposed expansion and service improvements. The 25-year vision balances high-priority needs with potential funding. There are three major sources of funding:

- Locally controlled federal and state funding sources (funding given to local governments and agencies to spend on their priority projects)
- Federal discretionary funding sources (designated by the federal government for a specific project)
- Locally raised money (from county sales tax, downtown parking revenues, airport passenger charges and development fees)

Recent economic activity has had a negative impact on the national, state, and local economies, affecting funding for transportation. Local funding has been affected by a slowdown in housing construction, and a reduction in consumer and governmental spending. This downturn will result in a reduction of \$9.8 million in Measure A transit funds and \$4.9 million in LTF transit funds to the District in FY2009-10. Most of the federal and state revenues that the District receives are generated by the federal highway trust fund and the state transportation account, rather than general funds. These sources have been relatively stable in the past; however, the FY2009-10 State budget transferred a significant portion of public transportation funding to the general fund and eliminated the State Transit Assistance program. With ridership surging, the Governor has responded by cutting transit funding. The Governor's FY2009-10 budget will result in a reduction of \$26 million in transit funds to the District. The District has responded with

a fare increase effective September 1, 2009, a hiring freeze on non-critical positions, furloughs and other expense reduction efforts.

Cash Management Available cash consists of operating funds not yet expended or funds held for future capital expenditures. State statutes govern the investment of these funds and the District's investment policies and practices are in compliance. Cash is invested in the State Treasurer's Local Agency Investment Fund (LAIF) pool, U.S. Treasuries and government agencies, corporate medium term notes, time deposits and money market funds. For the year ended June 30, 2009, the maturities of such investments ranged from 1 day to 5 years with an average maturity of 0.6 years and provided the District with an effective rate of return of 2.40 percent.

Debt Management The District manages its debt to ensure high quality credit; access to credit markets; financial flexibility; and the lowest overall long-term cost of debt. The District's general philosophy on debt is to use pay-as-you-go funds to accomplish minor projects and to use debt service funds for major long-life expansion projects. This enables future patrons to share in the costs without overburdening existing patrons.

The District has specific and continuing Securities and Exchange Commission (SEC) disclosure requirements (Rule 15c2-12) in connection with the California Transit Finance Corporation Farebox Revenue Certificates of Participation, 2003 Series-C. The required continuing disclosure items and their locations within the CAFR are presented on page 63.

Risk Management The District is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured and purchases commercial insurance for claims in excess of self-insured amounts. Settled claims have not exceeded this commercial coverage in any of the past nine fiscal years. In addition, various control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses.

Fiduciary Operations Fiduciary funds are used to account for assets received and held by the District, acting in the capacity of custodian or trustee of such funds or as agent for other individuals. The District acts in a trustee capacity for two funds; the Amalgamated Transit Union 256(ATU)/ International Brotherhood of Electrical Workers Local 1245(IBEW) Pension Trust and the Salaried Pension Trust.

The District maintains a combined retirement plan Pension Trust fund for the District's union employees, which accounts for the retirement fund of the members of ATU and IBEW. In addition, the District maintains the retirement plan Pension Trust fund for the District's salaried employees. Each year, an independent actuary engaged by the respective Retirement Boards calculates the amount of the annual contribution that the District must make to the Trusts to ensure that each retirement plan will be able to fully meet its obligations to retired employees on a timely basis. The District fully funds each year's annual required contribution to the Trusts as determined by the actuary through the budget process.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2008 and 2007. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest

standards for preparation of a state or local government financial reports. This was the ninth consecutive year that the District has received this award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of several departments and the tireless efforts of the finance department staff. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report, with special thanks to Brent Bernegger, CPA, Director of Finance/Treasury; Paul Selenis, Accounting Manager, Jeff Cheng, CPA, Accountant II; Nadia Mokhov, Senior Financial Analyst; and LaDonna Lee, Senior Administrative Assistant.

Respectfully Submitted,



Michael R. Wiley
General Manager/CEO



Dee Brookshire
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento Regional Transit District, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. Pitt".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director

Sacramento Regional Transit District

Board of Directors

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Steve Miller, City of Citrus Heights, **Vice Chair**
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General Manager/CEO

Michael R. Wiley

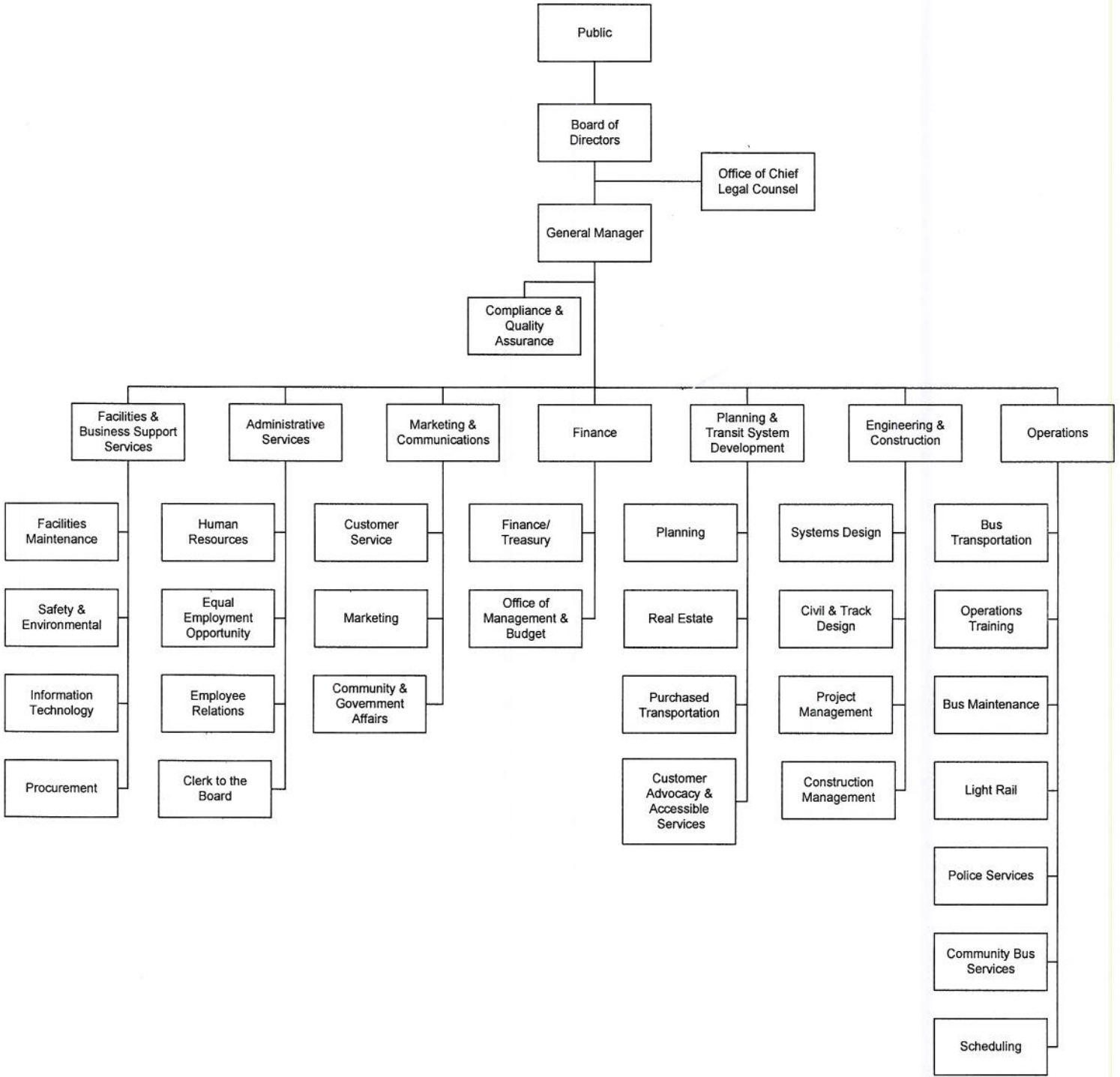
Chief Legal Counsel

Bruce A. Behrens

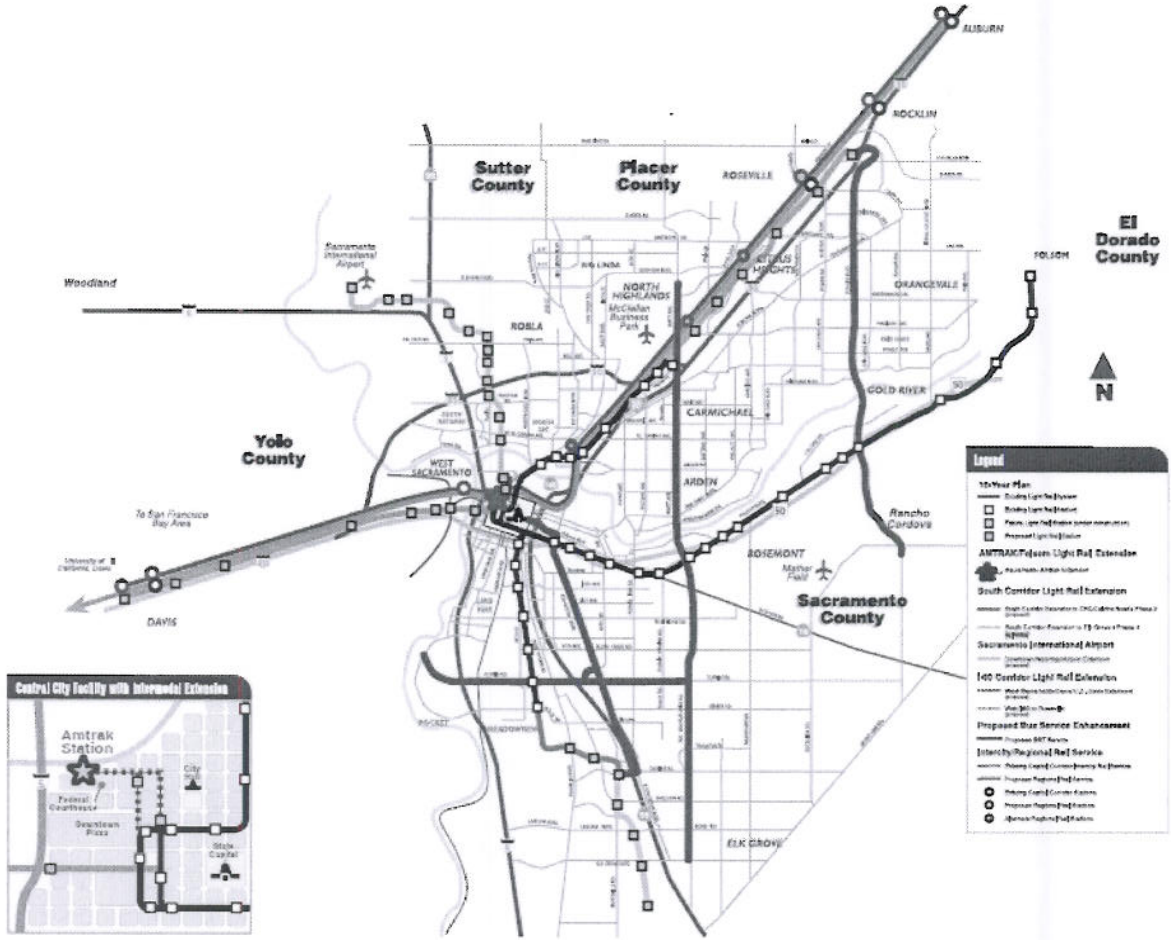
Executive Management Team

Dan M. Bailey, Chief Administrative Officer/EEO Officer
Dee Brookshire, Chief Financial Officer
Laurence P. Corcoran, Compliance and Quality Assurance Auditor
Rosemary Covington, Assistant General Manager, Planning & Transit Systems
Mark Lonergan, Chief Operating Officer
Alane Masui, Assistant General Manager, Marketing
Michael A. Mattos, Chief of Facilities & Business Support Services
Diane Nakano, Assistant General Manager, Engineering

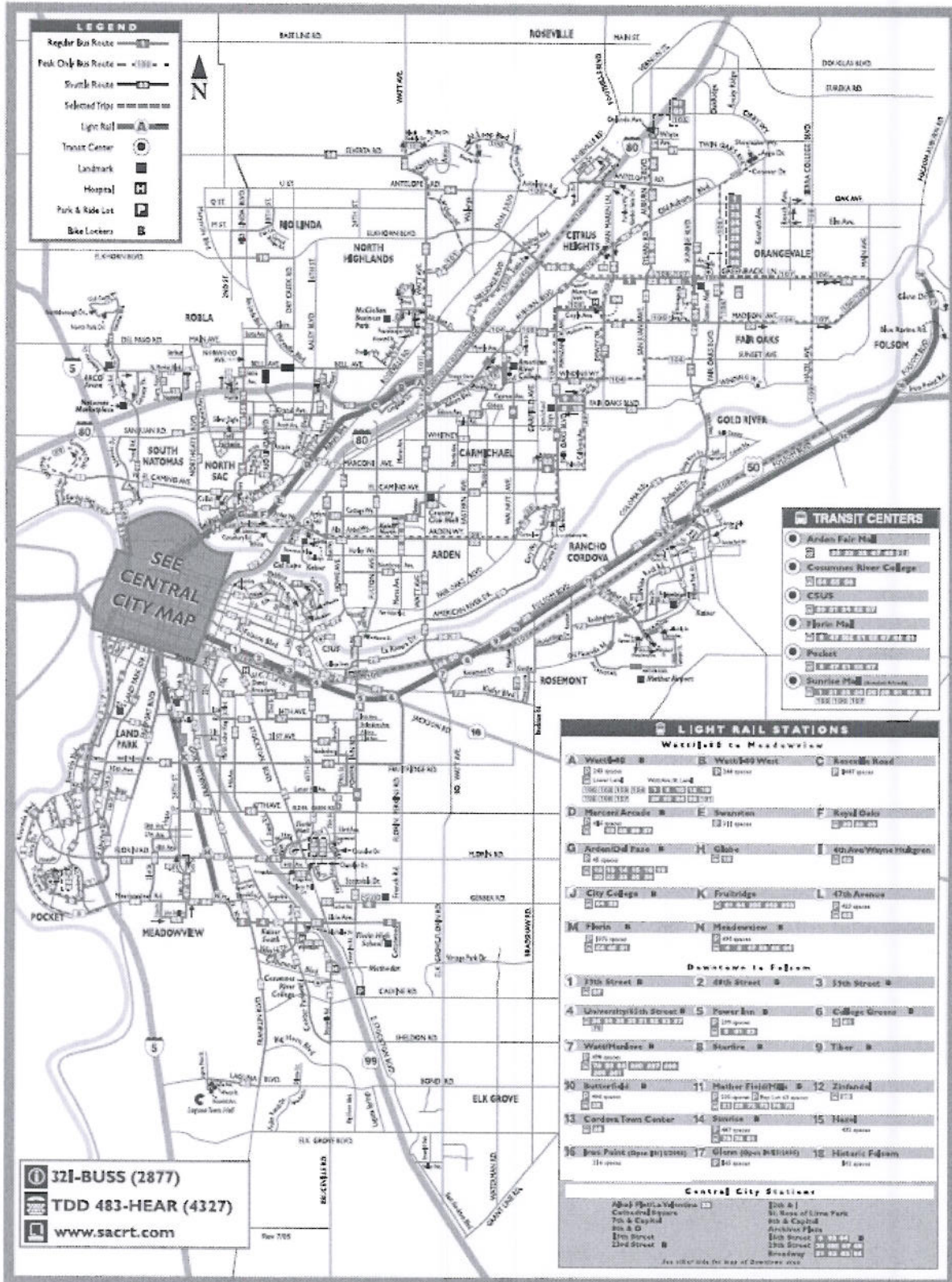
**SACRAMENTO REGIONAL TRANSIT DISTRICT
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2009**



Sacramento Regional Transit District 20-Year System Expansion Proposal



Sacramento Regional Transit Service Area Map





MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

SACRAMENTO
3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

WALNUT CREEK

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

Members of the Board of Directors
Sacramento Regional Transit District
Sacramento, California

Members of the Board of Directors
Sacramento Area Council of Governments
Sacramento, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities and the pension trust funds of the Sacramento Regional Transit District (District) as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the District as of June 30, 2008 were audited by other auditors, whose report dated October 14, 2008, expressed an unqualified opinion on those financial statements.

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 *Governmental 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the pension trust funds of the Sacramento Regional Transit District, as of June 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009, on our consideration of the District'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the schedules of funding progress as listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining fiduciary fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2009 combining fiduciary fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Macie Mini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 2, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the Sacramento Regional Transit District (District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities for the District for the fiscal years ended June 30, 2009 and 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the transmittal letter and financial statements which are included in this report.

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2009 and 2008 by \$775,070,534 and \$756,637,141 (net assets), respectively. Of this amount, \$2,580,209 and \$1,699,248 is restricted for capital projects, \$771,044,618 and \$752,242,824 is invested in capital assets, net of related debt, and \$1,445,707 and \$2,695,069 is unrestricted.
- The District's total net assets increased for the year ended June 30, 2009 by 2.4 percent, or \$18,433,393, compared to the fiscal year ended June 30, 2008. The District's total net assets increased for the year ended June 30, 2008 by 0.02 percent, or \$1,476,995, compared to the year ended June 30, 2007. The significant increases for fiscal years 2008 and 2009 can be attributed to capital contributions as the District is in the process of expanding its services.
- The District's total liabilities decreased by \$41,215,715 and increased by \$95,959,738 during the fiscal years ended June 30, 2009 and 2008 respectively. The net decrease of \$41,215,715 is due primarily to scheduled principal debt payments, draws on the line of credit, premium amortization and imputed interest accrued on the District's Lease/Leaseback transactions. The net increase of \$95,959,738 in fiscal year 2008 is due primarily to the District executing the third tranche of its Lease/Leaseback transactions, scheduled principal debt payments, draws on the line of credit, premium amortization and imputed interest accrued on the District's Lease/Leaseback transactions.
- During the fiscal year ended June 30, 2009, fare revenue increased by 9.1 percent as a result of the District's fare increase effective January 1, 2009, while other non-operating revenue declined by 5.4 percent due primarily to the decline in local operating support including: Measure A sales tax and Transportation Development Act Funds. This decline in local operating support was partially mitigated by the receipt of \$8 million in Federal American Recovery and Reinvestment Act stimulus funding. During the fiscal year ended June 30, 2008, fare revenue increased by 10.2 percent as a result of the increase in ridership stemming from higher gas prices and the closure of I-5 for repairs, while other non-operating revenue declined by 2.6 percent due primarily to the decline in local operating support, specifically Transportation Development Act funds.
- Total operating costs decreased by 3.1 percent and increased by 5.9 percent, respectively, for the fiscal years ended June 30, 2009 and 2008. The decrease in operating costs for the fiscal year ending June 30, 2009 can be attributed to a decline in the District's Public Liability/Property Damage and Workers' Compensation costs as a result of the successful resolution of claims at a lower rate than originally anticipated and actual incurred losses increasing at a lower amount than expected as well as the District's implementation of its Indirect Cost Allocation Plan. The increase in operating costs for the fiscal year ending June 30, 2008 can be attributed to an increase in labor costs, primarily related to pension and health benefits as well as decline in the amount of labor capitalized.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the financial statements and the notes to the financial statements.

Basic Financial statements – The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statements of net assets presents information on all the District's assets and liabilities, with the difference between the two being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The statements of revenues, expenses and changes in net assets presents information showing how the District's net assets changed during the fiscal years ended June 30, 2009 and 2008. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs (such as the receipt of goods and services or submittal of claims for capital and operating revenue) regardless of the timing of related cash flows. In other words, the District reports expenses and revenues on an accrual basis rather than a cash basis. Since the District's primary function is to provide transportation services to the region's citizens and recover costs through user fees and charges, the financial statements include business-type activities. The District serves in a fiduciary capacity for the pension trust funds. The fiduciary fund statements are presented on an accrual basis and are included in these financial statements. The resources of the fiduciary funds are not available to support District programs.

The notes to the financial statements provide additional information that is essential to a full understanding of the financial data provided in the financial statements.

Statistical Section – In addition to the basic financial statements this report also includes a statistical section of selected financial information over a 10-year period when available.

Analysis of the Financial Statements

The financial statements provide both short-term and long-term information about the District's overall financial condition. This analysis addresses the financial statements of the District as a whole.

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities by \$775,070,534 and \$756,637,141 at June 30, 2009 and 2008, respectively.

The vast majority of the District's total net assets, approximately 99 percent at both June 30, 2009 and June 30, 2008, reflect investment in capital assets, less any related debt and unused proceeds used to acquire those assets still outstanding. These capital assets are used to provide bus and light rail services to the greater Sacramento area. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, resources are needed to repay this debt and must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The increase in net assets is primarily due to capital contributions as the District is in the process of expanding its services.

A portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. Examples include grant funds advanced to the District for specified purposes by other related governmental agencies.

Sacramento Regional Transit District Net Assets

	<u>June 30, 2009</u>	<u>June 30, 2008*</u>	<u>June 30, 2007</u>
Capital Assets	\$ 780,144,304	\$ 763,048,331	\$ 752,881,994
Current and Other Assets	<u>254,121,344</u>	<u>293,999,639</u>	<u>206,729,243</u>
Total Assets	<u>1,034,265,648</u>	<u>1,057,047,970</u>	<u>959,611,237</u>
Current Liabilities	\$ 106,895,387	97,848,634	73,438,119
Non-Current Liabilities	<u>152,299,727</u>	<u>202,562,195</u>	<u>131,012,972</u>
Total Liabilities	<u>259,195,114</u>	<u>300,410,829</u>	<u>204,451,091</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	771,044,618	752,242,824	743,350,268
Restricted for Capital Projects	2,580,209	1,699,248	1,927,944
Unrestricted	<u>1,445,707</u>	<u>2,695,069</u>	<u>9,881,934</u>
Total Net Assets	<u>\$ 775,070,534</u>	<u>\$ 756,637,141</u>	<u>\$ 755,160,146</u>

*Amounts have been reclassified from those presented in the prior year to conform with the current year's presentation.

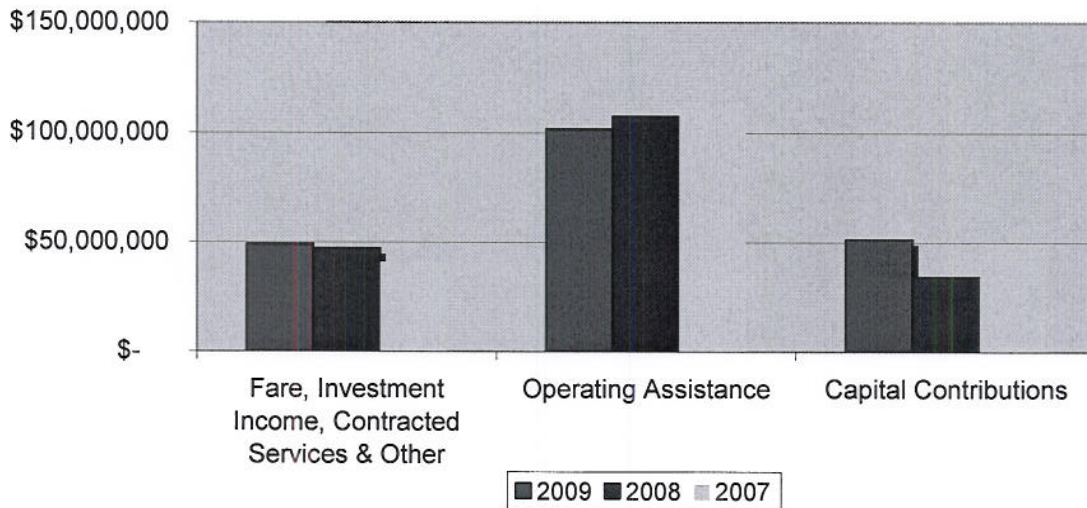
Sacramento Regional Transit District Changes in Net Assets

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percent Change</u>
Operating Revenues:			
Fares	\$ 32,571,459	\$ 29,865,810	9.1%
Non-Operating Revenues:			
Operating Assistance	101,512,541	107,361,901	(5.4)%
Investment Income	8,910,839	8,145,081	9.4%
Other Revenue	<u>7,615,899</u>	<u>9,068,306</u>	(16.0)%
Total Revenue	<u>150,610,738</u>	<u>154,441,098</u>	(2.5)%
Operating and Non-Operating Expenses:			
Labor & Fringe Benefits	91,580,300	93,779,919	(2.3)%
Professional & Other Services	26,584,306	26,504,694	0.3%
Spare Parts & Supplies	12,950,141	12,187,760	6.3%
Utilities	5,544,739	5,550,144	(0.1)%
Casualty & Liability Costs	7,104,114	11,159,479	(36.3)%
Depreciation & Amortization	30,698,602	28,445,407	7.9%
Other	1,680,016	1,896,171	(11.7)%
Indirect Costs Allocated to Capital Programs	(2,171,760)	—	N/A
Interest Expense	9,154,035	7,951,190	15.1%
Pass through to Subrecipients	<u>478,468</u>	<u>1,377,945</u>	(65.3)%
Total Operating and Non-Operating Expenses:	<u>183,602,961</u>	<u>188,852,709</u>	(2.8)%
Loss Before Capital Contributions	<u>(32,992,223)</u>	<u>(34,411,611)</u>	(4.1)%
Capital Contributions:			
State and Local	42,441,018	29,606,239	43.4%
Federal	<u>8,984,598</u>	<u>4,575,184</u>	96.4%
Increase (Decrease) in Net Assets	18,433,393	(230,188)	(8108.0)%
Net Assets, July 1 (as restated)	<u>756,637,141</u>	<u>756,867,329</u>	(0.0)%
Net Assets, June 30	<u>\$ 775,070,534</u>	<u>\$ 756,637,141</u>	2.4%

Sacramento Regional Transit District Changes in Net Assets

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percent Change</u>
Operating Revenues:			
Fares	\$ 29,865,810	\$ 27,101,261	10.2%
Non-Operating Revenues:			
Operating Assistance	107,361,901	113,850,119	(5.7)%
Investment Income	8,145,081	7,907,986	3.0%
Other Revenue	9,068,306	6,186,215	46.6%
Total Revenue	<u>154,441,098</u>	<u>155,045,581</u>	(0.4)%
Operating and Non-Operating Expenses:			
Labor & Fringe Benefits	93,779,919	85,886,946	9.2%
Professional & Other Services	26,504,694	23,612,684	12.2%
Spare Parts & Supplies	12,187,760	14,941,288	(18.4)%
Utilities	5,550,144	4,944,021	12.3%
Casualty & Liability Costs	11,159,479	9,773,759	14.2%
Depreciation & Amortization	28,445,407	28,434,288	0.0%
Other	1,896,171	1,970,575	(3.8)%
Interest Expense	7,951,190	7,900,469	0.6%
Pass through to Subrecipients	1,377,945	1,790,639	(23.0)%
Total Operating and Non-Operating Expenses:	<u>188,852,709</u>	<u>179,254,669</u>	5.4%
Loss Before Capital Contributions	<u>(34,411,611)</u>	<u>(24,209,088)</u>	42.1%
Capital Contributions:			
State and Local	29,606,239	21,267,294	39.2%
Federal	4,575,184	28,082,306	(83.7)%
(Decrease) Increase in Net Assets	(230,188)	25,140,512	(100.9)%
Net Assets, July 1	<u>756,867,329</u>	<u>730,019,634</u>	3.7%
Net Assets, June 30	<u>\$ 756,637,141</u>	<u>\$ 755,160,146</u>	0.2%

REVENUES BY SOURCE



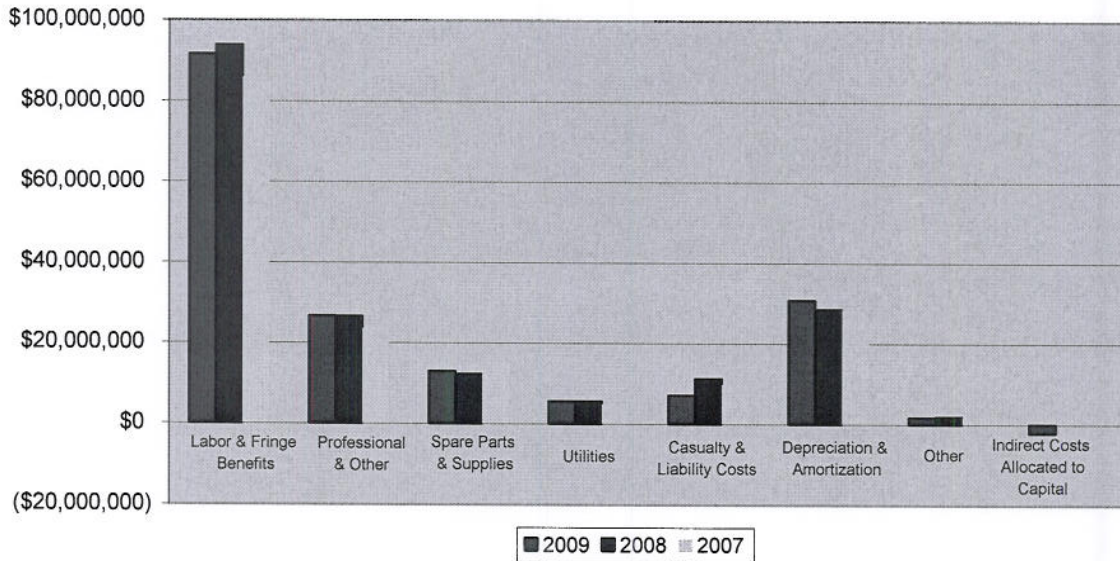
Revenue

Fares, investment income, contracted services, and other revenue increased by a combined \$2,019,000, or 4.2 percent, and \$5,883,735 or 14.3 percent, for the fiscal years ended June 30, 2009 and 2008, respectively. The revenue increases for the fiscal year ended June 30, 2009 are primarily due to an increase in fare revenues due to the District's fare increase effective January 1, 2009. The revenue increases for the fiscal year ended June 30, 2008 are primarily due to an increase in fare revenues and other income. Fare revenues increased as the result of increased ridership due to rising gasoline prices and the I-5 construction closure. Other income increased due to Compressed Natural Gas (CNG) Federal Excise Tax Refunds.

Operating assistance declined by \$5,849,360 or 5.4 percent and \$6,488,218 or 5.7 percent, for the fiscal years ended June 30, 2009 and June 30, 2008, respectively due to a decline in Measure A and Transportation Development Act funds.

The majority of construction and acquisition activities are funded with capital contributions from other governmental units such as federal, state, and local agencies. Capital contributions increased by 50.4 percent during the fiscal year ended June 30, 2009 and decreased by 30.7 percent during the year ended June 30, 2008. The net increase in FY2009 is primarily the result of the Metro Heavy Repair Facility Expansion, Northeast Corridor Lumberjack Realignment, and the South Sacramento Corridor Phase 2 Expansion, while the decrease in FY2008 is primarily the result of capitalized costs related to the completion of the Amtrak/Folsom light rail extension.

OPERATING EXPENSES



Expenses

Operating expenses decreased by 3.1 percent for the fiscal year ended June 30, 2009 and increased by 5.9 percent for the fiscal year ended June 30, 2008. The decrease in operating costs for the fiscal year ended June 30, 2009 is due to a decline in the District's Public Liability/Property Damage and Workers' Compensation costs as a result of the successful resolution of claims at a lower rate than originally anticipated and actual incurred losses increasing at a lower amount than expected as well as the District's implementation of its Indirect Cost Allocation Plan. The increase in operating costs for the fiscal year ended June 30, 2008 is due to increased labor costs, primarily related to pension and health benefits and a decline in the amount of labor capitalized. Additional escalating expenses include: Paratransit services, security services, Transit Master Plan consulting, and workers compensation claims. These increases were partially mitigated by the decline in spare parts and supplies consumed by the District's Siemens light-rail fleet improvement and capital maintenance projects.

Analysis of the District's Financial Position

The District's net assets provide information on near term inflows, outflows, and balances of spendable resources. The District is reporting unrestricted net assets as of June 30, 2009 of \$1,445,707, a decline of \$1,249,362, or 46.4 percent, in comparison with June 30, 2008, which reported unrestricted net assets of \$2,695,069, a decline of \$7,186,865, or 72.7 percent from June 30, 2007. The decrease in unrestricted net assets of \$1,249,362 and \$7,186,865 in 2009 and 2008, respectively, was the result of using unrestricted net assets to fund operations and capital projects.

Capital Asset and Debt Activity

As of June 30, 2009, the District's investment in various capital assets, such as bus and light rail vehicles, facilities, land, buildings and equipment increased to \$780,144,304 from \$763,048,331, representing a 2.2 percent increase. The most significant additions to the District's capital assets are related to the acquisition and receipt of 39 Orion 40' CNG buses and construction activity (work in process) on the following light rail projects: Metro Heavy Repair Facility Expansion, Northeast Corridor Lumberjack Realignment, and the South Sacramento Corridor Phase 2 Expansion. As of June 30, 2008, the District's investment in various capital assets, such as bus and light rail vehicles, facilities, land, buildings and equipment increased to \$763,048,331 from \$752,881,994, representing a 1.4 percent increase. The most significant additions to the District's capital assets are related to the acquisition and receipt of 52 Orion 40' CNG buses and construction activity (work in process) on the light rail Metro Heavy Repair Facility Expansion and Watt Avenue Grade Separation. Additional information on the capital assets can be found in Footnote 4 to the financial statements.

The District's Certificates of Participation debt decreased by \$1,605,984 or 12.5 percent for the fiscal year ended June 30, 2009 and \$1,545,984 or 10.7 percent for the fiscal year ended June 30, 2008. This debt represents Certificates of Participation (COPs) notes distributed in fiscal year 2004 for the purchase of light rail vehicles, trolley vehicles, related equipment and real property to be used as maintenance facilities. The District recorded a liability and a corresponding asset of \$146,527,940 and \$190,508,944 as of June 30, 2009 and 2008, respectively, resulting from its participation in three Lease/Leaseback transactions. Additional information on debt activity can be found in Footnote 6 and 7 to the financial statements.

Current Economic Factors and Conditions

The District has plans for future expansion and improvement of light rail and bus services. As of June 30, 2009 the District has construction contracts and property acquisition commitments of approximately \$14,334,740.

Request for Information

Please address all questions or request for additional information to the Finance and Treasury Department, Attention: Chief Financial Officer, Sacramento Regional Transit District, 1400 29th Street, PO Box 2110, Sacramento CA 95812-2110.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF NET ASSETS – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
JUNE 30, 2009 and 2008**

ASSETS	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and Cash Equivalents	\$ 4,524,427	\$ 5,116,272
Restricted Cash and Cash Equivalents	2,539,609	7,360,261
Investments	102,781	406,779
Deposits for Lease/Leaseback Payable	52,081,022	52,470,138
Receivables:		
State and Local Government	20,898,217	28,089,402
Federal Government	33,050,722	24,669,429
Other	5,001,003	7,005,899
Spare Parts and Supplies Inventory	16,748,339	16,623,847
Other Current Assets	59,860	50,000
Total Current Assets	<u>135,005,980</u>	<u>141,792,027</u>
Non-Current Assets:		
Restricted Cash & Cash Equivalents	19,179,585	2,468,849
Investments	3,788,260	3,222,708
Restricted Investments	1,056,135	7,730,817
Deposits for Lease/Leaseback Payable	94,446,918	138,038,806
Deferred Issuance Costs	294,466	346,432
Prepaid Lease	350,000	400,000
Non Depreciated Capital Assets	144,121,692	130,216,941
Depreciated Capital Assets, Net	636,022,612	632,831,390
Total Non-Current Assets	<u>899,259,668</u>	<u>915,255,943</u>
Total Assets	<u>\$ 1,034,265,648</u>	<u>\$ 1,057,047,970</u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF NET ASSETS – BUSINESS TYPE ACTIVITIES - continued
ENTERPRISE FUND
JUNE 30, 2009 and 2008

	2009	2008
LIABILITIES		
Current Liabilities:		
Line of Credit	\$ 20,000,000	\$ 10,500,000
Accounts Payable	15,003,198	18,587,801
Other Accrued Liabilities	4,234,852	3,424,240
Compensated Absences	6,835,175	7,301,049
Post Retirement Benefit Obligation	—	1,507,862
Interest Payable	158,621	183,011
Unearned Revenue	524,123	579,858
Advances from Other Governments	6,445,829	3,875,779
Claims Payable	6,425,000	6,501,000
Lease/Leaseback Payable	44,707,003	42,901,448
Certificates of Participation	1,680,984	1,605,984
Retention Payable	880,602	880,602
Total Current Liabilities	106,895,387	97,848,634
Long-Term Liabilities:		
Certificates of Participation	9,554,590	11,235,573
Compensated Absences	1,693,592	1,003,324
Advances from Other Governments	13,101,655	16,622,852
Claims Payable	15,425,000	14,965,000
Lease/Leaseback Payable	101,820,937	147,607,496
Deferred Gain on Lease/Leaseback	10,703,953	11,127,950
Total Long-Term Liabilities	152,299,727	202,562,195
Total Liabilities	259,195,114	300,410,829
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	771,044,618	752,242,824
Restricted For Capital Projects	2,580,209	1,699,248
Unrestricted	1,445,707	2,695,069
Total Net Assets	\$ 775,070,534	\$ 756,637,141

The accompanying notes are an integral part of these financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS — BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Fares	\$ 32,571,459	\$ 29,865,810
OPERATING EXPENSES		
Labor and Fringe Benefits	91,580,300	93,779,919
Professional and Other Services	26,584,306	26,504,694
Spare Parts and Supplies	12,950,141	12,187,760
Utilities	5,544,739	5,550,144
Casualty and Liability Costs	7,104,114	11,159,479
Depreciation and Amortization	30,698,602	28,445,407
Indirect Costs Allocated to Capital Programs	(2,171,760)	—
Other	1,680,016	1,896,171
Total Operating Expenses	<u>173,970,458</u>	<u>179,523,574</u>
Operating Loss	<u>(141,398,999)</u>	<u>(149,657,764)</u>
NON-OPERATING REVENUES (EXPENSES)		
Operating Assistance:		
State and Local	70,724,997	84,557,745
Federal	30,787,544	22,804,156
Investment Income	8,910,839	8,145,081
Interest Expense	(9,154,035)	(7,951,190)
Pass Through to Subrecipients	(478,468)	(1,377,945)
Contract Services	4,311,430	4,732,120
Other	3,304,469	4,336,186
Total Non-Operating Revenues	<u>108,406,776</u>	<u>115,246,153</u>
Loss Before Capital Contributions	(32,992,223)	(34,411,611)
Capital Contributions:		
State and Local	42,441,018	29,606,239
Federal	8,984,598	4,575,184
Increase (Decrease) in Net Assets	18,433,393	(230,188)
Net Assets, July 1	<u>756,637,141</u>	<u>756,867,329</u>
Net Assets, June 30	<u>\$ 775,070,534</u>	<u>\$ 756,637,141</u>

The accompanying notes are an integral part of these financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 and 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 34,394,874	\$ 29,602,884
Cash Received from Contract Sources	4,311,430	4,732,120
Cash Paid to Suppliers	(57,148,271)	(54,847,732)
Cash Paid to Employees	(89,881,396)	(92,246,499)
Cash Received from Other Sources	3,262,249	4,336,186
Net Cash Used in Operating Activities	(105,061,114)	(108,423,041)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Local Receipts	75,219,543	79,690,585
Federal Receipts	21,776,439	19,845,084
Pass-Through to Subrecipients	(478,468)	(1,377,946)
Advances on the Line of Credit	44,300,000	28,000,000
Payments on the Line of Credit	(34,800,000)	(17,500,000)
Net Cash Provided by Noncapital Financing Activities	106,017,514	108,657,723
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(48,158,452)	(38,939,384)
Principal Payments on Certificates of Participation	(1,530,000)	(1,470,000)
Interest Paid	(765,271)	(787,101)
Proceeds from Sale of Capital Assets	42,220	—
Proceeds from Sale/Leaseback	—	5,884,956
Payments for Lease/Leaseback	(8,155)	(247,126)
State and Local Capital Grants	44,186,511	29,646,956
Federal Capital Grants	9,614,410	5,542,394
Net Cash Provided by (Used in) Capital and Related Financing Activities	3,381,263	(369,305)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	12,131,378	18,595,306
Purchases of Investments	(5,664,184)	(19,741,369)
Investment Income	493,382	729,624
Net Cash Provided by (Used in) Investing Activities	6,960,576	(416,439)
Net Increase (Decrease) in Cash and Cash Equivalents	11,298,239	(551,062)
Cash and Cash Equivalents, July 1	14,945,382	15,496,444
Cash and Cash Equivalents, June 30	\$ 26,243,621	\$ 14,945,382
RECONCILIATION TO STATEMENT OF NET ASSETS		
Cash and Cash Equivalents	\$ 4,524,427	\$ 5,116,272
Restricted Cash and Cash Equivalents, Current	2,539,609	7,360,261
Restricted Cash and Cash Equivalents, Non-Current	19,179,585	2,468,849
Total Cash and Cash Equivalents	\$ 26,243,621	\$ 14,945,382

The accompanying notes are an integral part of these financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 and 2008**

	2009	2008
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating Loss	\$ (141,398,999)	\$ (149,657,764)
Adjustments to Reconcile Net Loss from Operations to Net Cash Used in Operating Activities:		
Depreciation and Amortization	30,698,602	28,445,407
(Gain) Loss on Disposal of Capital Assets	-	6,523
Contract Services Nonoperating Income	4,311,430	4,732,120
Miscellaneous Nonoperating Income	3,262,249	4,329,663
Effect of Changes in:		
Other Receivables	1,879,149	(238,646)
Spare Parts and Supplies Inventory	(124,492)	(515,720)
Other Current Assets	(9,860)	107,833
Prepaid Lease	50,000	50,000
Accounts, Interest and Retention Payable	(2,773,991)	2,744,739
Compensated Absences and Other	224,394	(248,778)
Post Retirement Benefit Obligation	(1,507,862)	1,507,862
Unearned Revenue	(55,734)	(24,280)
Reserve for Claims	384,000	338,000
Net Cash Used in Operating Activities	\$ (105,061,114)	\$ (108,423,041)
 NON-CASH INVESTING AND FINANCING ACTIVITIES		
Interest Income from Investments Held to Pay Lease/Leaseback	\$ 8,489,135	7,360,027
Interest Expense on Capital Lease/Leaseback	(8,489,135)	(7,360,027)
NET NON-CASH INVESTING AND FINANCING ACTIVITIES	\$ —	\$ —

The accompanying notes are an integral part of these financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 2009 and 2008**

	2009	2008
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 6,916,504	\$ 5,336,828
Interest, Dividends, and Other Receivables	7,279,857	4,340,344
Total Current Assets	14,196,361	9,677,172
Long-Term Investments:		
Equity Securities	89,564,198	93,781,303
Fixed Income Securities	56,463,120	80,354,552
Total Long-Term Investments	146,027,318	174,135,855
Total Assets	160,223,679	183,813,027
LIABILITIES		
Liabilities:		
Securities Purchased Payable	14,100,788	12,637,375
Accounts Payable	1,288,682	465,873
Total Liabilities	15,389,470	13,103,248
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 144,834,209	\$ 170,709,779

The accompanying notes are an integral part of these financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 and 2008**

	2009	2008
ADDITIONS		
Contributions:		
Employer	\$ 10,757,070	\$ 11,812,742
Member	32,704	—
Total Contributions	10,789,774	11,812,742
Investment Income:		
Net Decrease in Fair Value of Investments	(27,538,740)	(13,820,376)
Interest, Dividends, and Other Income	5,143,057	5,855,233
Investment Expenses	(1,114,639)	(1,365,587)
Net Investment Loss	(23,510,322)	(9,330,730)
Total (Deductions) Additions	(12,720,548)	2,482,012
DEDUCTIONS		
Benefits Paid to Participants	13,009,445	11,188,236
Administrative Expenses	145,577	176,455
Total Deductions	13,155,022	11,364,691
Decrease in Net Assets	(25,875,570)	(8,882,679)
Net Assets, Held in Trust for Pension Benefits - July 1	170,709,779	179,592,458
Net Assets, Held in Trust for Pension Benefits - June 30	\$ 144,834,209	\$ 170,709,779

The accompanying notes are an integral part of these financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

1. SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Sacramento Regional Transit District (District) was established in 1973 pursuant to the Sacramento Regional Transit District Act. The District has the responsibility to develop, maintain, and operate a public mass transit transportation system for the benefit of the residents of the Sacramento area. The District is governed by a Board of Directors appointed by the Sacramento City Council, the Sacramento County Board of Supervisors, the Elk Grove City Council, the Citrus Heights City Council, the Rancho Cordova City Council, and the Folsom City Council.

As required by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", the District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity has a significant operational and financial relationship with the District.

The District has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that has such a relationship to the District that would result in the District being considered a component unit of that other entity.

BASIS OF PRESENTATION

The accounts of the District are organized and operated on the basis of funds, each of which is considered an independent fiscal and accounting entity. The activities of each fund are accounted for with a separate set of self-balancing statements that comprise its assets, liabilities, net assets, revenues, and expenses, as appropriate. These statements distinguish between the business-type and fiduciary activities of the District. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's statements are organized into the following fund types:

Proprietary Fund Type

The ***Enterprise Fund***, distinguishes operating revenues and expenses from nonoperating items. The District's operating revenues are generated directly from its transit operations and consist principally of passenger fares. Operating expenses for the transit operations include all costs related to providing transit services. These costs include labor, fringe benefits, materials, supplies, services, utilities, leases, rentals, and depreciation on capital assets. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Unrestricted net assets for the enterprise fund represent the net assets available for future operations.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Type

The ***Pension Trust Funds*** are used to account for assets held by the District in a trustee capacity. The District maintains the following Pension Trust Funds:

The Amalgamated Transit Union (ATU) Local 256 and International Brotherhood of Electrical Workers (IBEW) Local 1245 Member Retirement Plan Fund (ATU/IBEW) accounts for the retirement funds of members of ATU Local 256 and IBEW Local 1245.

The Salaried Employees Retirement Plan Fund (Salaried) accounts for the retirement funds of the District's salaried employees.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund and the pension trust funds are accounted for on a flow of economic resources measurement focus. This measurement focus emphasizes the determination of increased/decreased net assets. The accrual basis of accounting is used for the enterprise fund and the pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. District contributions to the pension trust funds are recognized in the period in which contributions are due, while benefits and refunds are recognized when due and payable in accordance with the pension trust funds plan agreements.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued on and before November 30, 1989 are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

BUDGETARY INFORMATION

State law requires the adoption of an annual budget for the enterprise fund, which must be approved by the Board of Directors. The Budget is prepared on an accrual basis. Budgetary control is maintained at several levels. The legal level of control is at the fund level. The Board of Directors authorizes budget amendments to the fund level. Line item reclassification amendments to the budget must be authorized by the responsible manager. Operating expenses are monitored by managers who are assigned responsibility for controlling their budgets. Emphasis is placed on the total budget for the division. Capital expenses operate under the control of a project-to-date budget.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS

All investments are reported at fair value measured by quoted market price.

RESTRICTED ASSETS

Restricted Assets consists of monies and other resources, the use of which is legally restricted for capital and debt service.

INVENTORIES

Inventories are stated at average cost and charged to expense at the time individual items are withdrawn from inventory (consumption method). Inventory consists primarily of parts and supplies relating to transportation vehicles and facilities.

CAPITAL ASSETS

Capital assets are stated at historical cost. The cost of normal maintenance and repairs is charged to operations as incurred. Infrastructure, which includes light rail vehicle tracks, has been capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related properties. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Buildings and improvements	30 to 50 years
Buses and maintenance vehicles	4 to 12 years
Light-rail structures and light-rail vehicles	25 to 45 years
Other operating equipment	5 to 15 years

No depreciation is provided on construction in progress until construction is completed and the asset is placed in service.

It is the District's policy to capitalize all capital assets with an individual cost of more than \$5,000, and a useful life in excess of one year.

COMPENSATED ABSENCES

The District's policy allows employees to accumulate earned unused vacation and sick leave which can be paid to employees upon separation from the District, subject to a vesting policy. These compensated absences are reported and accrued as a liability in the period incurred.

The current portion of the compensated absences is estimated by applying a percentage to the end of the year compensated absences liability. The percentage is calculated by dividing the vacation and sick leave that was liquidated (used/cashed out) during the year by the beginning vacation and sick leave balance.

FEDERAL, STATE, AND LOCAL GRANT FUNDS

Grants are accounted for in accordance with the purpose for which the funds are intended. Approved grants for the acquisition of land, building, and equipment are recorded as capital contributions as the related grant conditions are met. Approved grants for operating assistance are recorded as revenues in the year in which the related grant conditions are met.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advances received on grants are recorded as a liability until related grant conditions are met. The Transportation Development Act (TDA) provides that any funds not earned and not used may be required to be returned to their source.

When both restricted and unrestricted resources are available for the same purpose the District uses restricted resources first.

SELF-INSURANCE

The District is self-insured up to specified limits for workers' compensation claims, general liability claims, and major property damage. The District accrues the estimated costs of the self-insured portion of claims in the period in which the amount of the estimated loss is determinable.

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

NEW PRONOUNCEMENTS

For the fiscal years ended June 30, 2009 and 2008, the District implemented the following new GASB pronouncements:

GASB Statement No. 49 (GASB 49) "*Accounting and Financial Reporting for Pollution Remediation Obligations*". This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups.

A government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and if certain events have occurred. As of June 30, 2009 the District adopted GASB 49 prospectively. The District has had no known pollution remediation obligations and thus, no liability has been recorded in the financial statements.

GASB Statement No. 45 (GASB 45), "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*". This statement addresses how state and local governments should account for and report costs and obligations related to postemployment healthcare and other non-pension benefits.

Annual OPEB cost for the District on based in an actuarially calculated amount. GASB 45 also establishes disclosure requirements for information about the District's OPEB plan. The changes related to this statement are disclosed in Note 11.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of July 1, 2007, the District adopted GASB 45 prospectively. As a result, the District's prior years' OPEB obligation of \$1.7 million increased the beginning net assets balance, as this obligation was not based on a current actuarial assumption. The implementation of this change has the following effect:

June 30, 2007 - net assets	\$755,160,146
OPEB reclassification	1,707,183
July 1, 2007 – net assets restated	\$756,867,329

GASB Statement No. 48 (GASB 48), "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*". This standard makes a basic distinction between sales of receivables and future revenues and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing).

On July 1, 2007, the District adopted the provisions of GASB 48, which are reflected in Note 7 and Pledged Revenue Coverage schedule in the Statistical Section.

Effective July 1, 2007, the District implemented GASB Statement No. 50, (GASB 50) *Pension Disclosures*, the information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The provisions of GASB 50 are reflected in Note 10, Note 11 and the RSI following the Notes to the Financial Statements.

2. CASH AND INVESTMENTS

As of June 30, 2009 and 2008, the cash and investments among all funds consisted of the following:

	2009	2008
Cash on hand	\$ 126,404	\$ 126,881
Cash and cash equivalents	33,033,720	20,155,329
Investments	150,974,495	185,496,159
	\$ 184,134,619	\$ 205,778,369

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

2. CASH AND INVESTMENTS (Continued)

The total cash and investments as of June 30, 2009, are reported in the accompanying basic financial statements as follows:

	Enterprise Fund	Fiduciary Funds		Total
		ATU/IBEW	Salaried	
Unrestricted:				
Cash and cash equivalents	\$ 4,524,427	\$ —	\$ —	\$ 4,524,427
Investments	3,891,041	—	—	3,891,041
Total unrestricted	<u>8,415,468</u>	<u>—</u>	<u>—</u>	<u>8,415,468</u>
Restricted:				
Cash and cash equivalents	21,719,194	5,140,335	1,776,169	28,635,698
Investments	1,056,135	106,882,071	39,145,247	147,083,453
Total restricted	<u>22,775,329</u>	<u>112,022,406</u>	<u>40,921,416</u>	<u>175,719,151</u>
Total cash and investments	<u>\$ 31,190,797</u>	<u>\$ 112,022,406</u>	<u>\$ 40,921,416</u>	<u>\$ 184,134,619</u>

The total cash and investments as of June 30, 2008, are reported in the accompanying basic financial statements as follows:

	Enterprise Fund	Fiduciary Funds		Total
		ATU/IBEW	Salaried	
Unrestricted:				
Cash and cash equivalents	\$ 5,116,272	\$ —	\$ —	\$ 5,116,272
Investments	3,629,487	—	—	3,629,487
Total unrestricted	<u>8,745,759</u>	<u>—</u>	<u>—</u>	<u>8,745,759</u>
Restricted:				
Cash and cash equivalents	9,829,110	3,857,595	1,479,233	15,165,938
Investments	7,730,817	128,072,563	46,063,292	181,866,672
Total restricted	<u>17,559,927</u>	<u>131,930,158</u>	<u>47,542,525</u>	<u>197,032,610</u>
Total cash and investments	<u>\$ 26,305,686</u>	<u>\$ 131,930,158</u>	<u>\$ 47,542,525</u>	<u>\$ 205,778,369</u>

INVESTMENTS

The District pursues a program of safety, liquidity, and yield in its cash management and investment program in order to achieve maximum return on the Enterprise Fund's available funds. The Enterprise Fund's investment policy (pertaining to investment of surplus funds) is governed by an annual Board adopted policy, which is in compliance with the provisions of Articles 1 and 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

2. CASH AND INVESTMENTS (Continued)

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

Authorized Investment Type	Maximum Maturity	Minimum Rating	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	N/A	None	None
U.S. Treasury obligations	5 years	N/A	None	None
U.S. Agency securities	5 years	N/A	None	None
Bankers' acceptances	180 days	N/A	40%	30%
Commercial paper	270 days	A1/P1	25%	10%
Negotiable certificates of deposit	5 years	N/A	30%	None
Reverse repurchase agreements	92 days	N/A	20% of base value	None
Medium-term notes	5 years	A	30%	None
Mutual funds investing in eligible securities	N/A	AAA	20%	10%
Mortgage pass-through securities	5 years	AA	20%	None
Local Agency Investment Fund	N/A	N/A	None	None
JPA pools (other investment pools)	N/A	N/A	None	None

A Retirement Board adopted policy, the "Statement of Investment Objectives and Policy Guidelines for ATU/IBEW and Salaried Employees' Retirement Funds" governs the Pension Trust Funds' investments. This Policy focuses on the continued feasibility of achieving, and the appropriateness of, the Asset Allocation Policy, the Investment Objectives, the Investment Policies and Guidelines and the Investment Restrictions.

The following table identifies the investment types that are authorized by the Retirement Board. The table also identifies certain provisions of the Investment Objectives and Policy that address interest risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity*	Minimum Rating	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Municipal debt	None	Baa	None	None
U.S. Treasury obligations	None	N/A	None	None
U.S. Agency securities	None	N/A	None	None
Bankers' acceptances	None	N/A	None	None
Commercial paper	None	A2	None	None
Certificates of deposit	None	N/A	None	None
Repurchase agreements with U.S. Treasury and Agency securities as collateral	1 year	N/A	None	None
US Treasury and Agency Securities	None	N/A	None	None
Corporate debt	None	Baa	None	None
Mortgage pass-through securities	None	None	None	None
Collateralized mortgage obligations	None	Aaa	None	None

* The fixed income portion of the Plans shall be limited in duration to between 75% and 125% of the Barclays Capital Aggregate Bond index

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

2. CASH AND INVESTMENTS (Continued)

INVESTMENT RISK FACTORS

There are many factors that can affect the value of investments such as: interest rate risk, credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk. These types of risks may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

INTEREST RATE RISK

Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. The prices of fixed income securities with a longer time to maturity, measured by duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with a shorter duration.

The following table provides information about the interest rate risks associated with investments as of June 30, 2009.

	Maturities in Years				Fair Value
	Less than 1	1 - 5	6 - 10	More than 10	
<u>Enterprise Fund</u>					
Corporate bonds	\$ —	\$ 210,521	\$ —	\$ —	\$ 210,521
Local Agency Investment Fund	6,947,557	—	—	—	6,947,557
Corporate bonds – FDIC Insured	—	429,760	—	—	429,760
U.S. Government Agency obligations	102,781	3,370,996	—	—	3,473,777
U.S. Government Issued obligations	—	833,118	—	—	833,118
Total Enterprise Fund	<u>\$ 7,050,338</u>	<u>\$ 4,844,395</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,894,733</u>
<u>Fiduciary Fund</u>					
ATU/IBEW:					
Collateralized mortgage obligations	\$ —	\$ —	\$ 119,131	\$ 9,391,576	\$ 9,510,707
Corporate bonds	773,540	3,829,049	4,695,056	1,952,246	11,249,891
U.S. Government Agency obligations	—	—	61,593	13,634,510	13,696,103
U.S. Government Issued obligations	—	655,681	508,711	1,763,146	2,927,538
Asset backed securities	105	617,618	250,988	3,040,710	3,909,421
Subtotal	<u>773,645</u>	<u>5,102,348</u>	<u>5,635,479</u>	<u>29,782,188</u>	<u>41,293,660</u>
Salaried:					
Collateralized mortgage obligations	—	—	101,786	3,514,087	3,615,873
Corporate bonds	154,917	1,483,760	1,682,767	787,049	4,108,493
U.S. Government Agency obligations	—	—	7,816	5,430,250	5,438,066
U.S. Government Issued obligations	—	154,161	—	554,336	708,497
Asset backed securities	—	227,516	855	1,070,160	1,298,531
Subtotal	<u>154,917</u>	<u>1,865,437</u>	<u>1,793,224</u>	<u>11,355,882</u>	<u>15,169,460</u>
Total Fiduciary Fund	<u>\$ 928,562</u>	<u>\$ 6,967,785</u>	<u>\$ 7,428,703</u>	<u>\$ 41,138,070</u>	<u>\$ 56,436,120</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

2. CASH AND INVESTMENTS (Continued)

The following table provides information about the interest rate risks associated with the District's investments as of June 30, 2008.

	Maturities in Years				Fair Value
	Less than 1	1 - 5	6 - 10	More than 10	
<u>Enterprise Fund</u>					
Corporate bonds	\$ 3,455,239	\$ 397,678	\$ —	\$ —	\$ 3,852,917
Certificate of deposits	698,348	—	—	—	698,348
Local Agency Investment Fund	4,801,513	—	—	—	4,801,513
U.S. Government Agency obligations	3,984,009	1,994,574	—	—	5,978,583
U.S. Government Issued obligations	—	830,456	—	—	830,456
Total Enterprise Fund	<u>\$ 12,939,109</u>	<u>\$ 3,222,708</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 16,161,817</u>
<u>Fiduciary Fund</u>					
ATU/IBEW:					
Collateralized mortgage obligations	\$ —	\$ —	\$ 588,669	\$ 12,380,754	\$ 12,969,423
Corporate bonds	711,135	2,335,360	2,965,857	3,417,690	9,430,042
Municipal bonds	—	—	250,917	583,339	834,256
U.S. Government Agency obligations	—	—	63,608	18,771,481	18,835,089
U.S. Government Issued obligations	—	12,441,916	532,286	2,186,990	15,161,192
Asset backed securities	90,227	573,199	575,620	831,639	2,070,685
Subtotal	<u>801,362</u>	<u>15,350,475</u>	<u>4,976,957</u>	<u>38,171,893</u>	<u>59,300,617</u>
Salaried:					
Collateralized mortgage obligations	—	—	212,298	4,363,814	4,576,112
Corporate bonds	101,708	722,776	1,134,483	1,246,078	3,205,045
Municipal bonds	—	—	90,781	214,844	305,625
U.S. Government Agency obligations	—	—	7,895	7,405,341	7,413,236
U.S. Government Issued obligations	—	4,097,168	229,107	505,975	4,832,250
Asset backed securities	—	205,752	194,696	321,149	721,597
Subtotal	<u>101,708</u>	<u>5,025,696</u>	<u>1,869,260</u>	<u>14,057,201</u>	<u>21,053,865</u>
Total Fiduciary Fund	<u>\$ 903,070</u>	<u>\$ 20,376,171</u>	<u>\$ 6,846,217</u>	<u>\$ 52,229,094</u>	<u>\$ 80,354,552</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

2. CASH AND INVESTMENTS (Continued)

MORTGAGE PASS-THROUGH SECURITIES

These securities are issued by Government Sponsored Enterprises (GSEs), which are a group of financial services corporations created by the United States Congress. The GSEs include: the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Association (Freddie Mac), and the Federal Home Loan Banks. Another institution that issues these securities is the Government National Mortgage Association (Ginnie Mae). All agencies include short embedded prepayment options. Unanticipated prepayments by the obliges of the underlying assets reduce the total expected rate of return.

COLLATERALIZED MORTGAGE OBLIGATIONS

Collateralized mortgage obligations (CMOs) generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments make the fair value highly sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

ASSET-BACKED SECURITIES

Asset-backed securities generate a return based upon either the payment of interest or principal on obligations in an underlying pool. The relationship between interest rates and prepayments make the fair value highly sensitive to changes in interest rates.

CALLABLE BONDS

Although bonds are issued with clearly defined maturities, an issuer may be able to redeem, or call, a bond earlier than its maturity date. The District or the Pension Trust Funds must then replace the called bond with a bond that may have a lower yield than the original bond. The call feature causes the fair value to be highly sensitive to changes in interest rates. As of June 30, 2009, the District had no callable bonds. The ATU/IBEW Pension Trust Fund and the Salaried Pension Trust Fund held callable bonds with a fair value of \$5,621,447 and \$1,882,286, respectively.

As of June 30, 2008, the District, the ATU/IBEW Pension Trust Fund, and the Salaried Pension Trust Fund held callable bonds with a fair value of \$3,583,953, \$6,458,586 and \$2,006,134, respectively.

CORPORATE DEBT – RANGE NOTES

Range notes are securities which pay two different interest rates depending on whether or not a benchmark index falls within a pre-determined range as structured per the note. If the benchmark index rate does not fall within the pre-determined range, the note will not earn the coupon rate for that time period. With this pre-determined range feature, range notes are highly sensitive to changes in interest rate. As of June 30, 2009 and 2008, the District did not hold any of these securities. As of June 30, 2009, the ATU/IBEW Pension Trust Fund and the Salaried Pension Trust Fund held range notes with a fair value of \$233,620 and \$97,839, respectively. As of June 30, 2008, the ATU/IBEW Pension Trust Fund and the Salaried Pension Trust Fund held range notes with a fair value of \$1,134,009 and \$351,542, respectively.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

2. CASH AND INVESTMENTS (Continued)

CREDIT RISK

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investors Services (Moody's). The lower the rating, the greater the chance - in the rating agency's opinion - that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

For the fiscal years ending June 30, 2009 and 2008, the Pension Trust Funds are in adherence with the credit risk provisions of the Statement of Investment Objectives and Policy Guidelines.

The following tables provide information on the credit ratings and fair value associated with cash and investments as of June 30, 2009:

Moody's Ratings	Enterprise Fund	
	Fair Value	Percentage of Portfolio
Not applicable	\$ 19,296,064	61.86%
Not rated	6,947,557	22.27%
Aaa/P1	4,736,655	15.19%
Aa2	170,013	0.55%
Aa3	40,508	0.13%
	<u>\$ 31,190,797</u>	<u>100.00%</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

2. CASH AND INVESTMENTS (Continued)

<u>Fiduciary Funds</u>						
Moody's Ratings	ATU/IBEW		Salaried		Total	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
Not applicable	\$ 70,728,746	63.13%	\$ 25,751,956	62.93%	\$ 96,480,702	63.09%
Not rated	11,008,730	9.83%	4,181,485	10.22%	15,190,215	9.93%
Aaa	13,520,917	12.06%	5,111,808	12.49%	18,632,725	12.18%
Aa1	795,165	0.71%	102,719	0.25%	897,884	0.59%
Aa2	1,298,778	1.16%	546,652	1.34%	1,845,430	1.21%
Aa3	794,660	0.71%	294,844	0.72%	1,089,504	0.71%
A1	1,267,549	1.13%	542,859	1.33%	1,810,408	1.18%
A2	1,877,007	1.68%	726,658	1.78%	2,603,665	1.70%
A3	1,007,808	0.90%	378,859	0.93%	1,386,667	0.91%
Baa1	1,586,601	1.42%	652,434	1.59%	2,239,035	1.46%
Baa2	2,394,344	2.14%	613,960	1.50%	3,008,304	1.97%
Baa3	1,576,777	1.41%	443,553	1.08%	2,020,330	1.32%
Ba1	375,519	0.34%	359,922	0.88%	735,441	0.48%
Ba2	426,056	0.38%	143,077	0.35%	569,133	0.37%
Ba3	498,630	0.45%	164,384	0.40%	663,014	0.43%
B1	274,225	0.24%	221,287	0.54%	495,512	0.32%
B2	547,170	0.49%	90,032	0.22%	637,202	0.42%
B3	1,056,651	0.94%	255,557	0.62%	1,312,208	0.86%
Caa1	156,939	0.14%	188,345	0.46%	345,284	0.23%
Caa2	176,088	0.16%	64,248	0.16%	240,336	0.16%
Caa3	654,046	0.58%	86,777	0.21%	740,823	0.48%
Total	\$ 112,022,406	100.00%	\$ 40,921,416	100.00%	\$ 152,943,822	100.00%

The following tables provide information on the credit ratings and fair value associated with investments as of June 30, 2008:

<u>Enterprise Fund</u>		
Moody's Ratings	Fair Value	Percentage of Portfolio
Not applicable	\$ 10,143,868	38.18%
Not rated	5,499,861	20.91%
Aaa/P1	7,491,618	28.48%
Aa1	52,735	0.20%
Aa2	193,434	0.74%
Aa3	2,518,644	9.57%
A2	505,525	1.92%
	<u>\$ 26,305,685</u>	<u>100.00%</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

2. CASH AND INVESTMENTS (Continued)

Moody's Ratings	<u>Fiduciary Funds</u>					
	ATU/IBEW		Salaried		Total	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
Not applicable	\$ 71,381,635	54.11%	\$ 26,004,522	54.70%	\$ 97,386,157	54.26%
Not rated	12,803,503	9.70%	4,327,339	9.11%	17,130,842	9.54%
Aaa	36,447,877	27.63%	13,259,200	27.89%	49,707,077	27.70%
Aa1	847,917	0.64%	147,121	0.31%	995,038	0.55%
Aa2	1,020,429	0.77%	398,944	0.84%	1,419,373	0.79%
Aa3	1,623,060	1.23%	600,647	1.26%	2,223,707	1.24%
A1	2,163,171	1.64%	795,157	1.67%	2,958,328	1.65%
A2	913,306	0.69%	319,557	0.67%	1,232,863	0.69%
A3	799,612	0.61%	197,322	0.42%	996,934	0.56%
Baa1	548,586	0.42%	353,040	0.74%	901,626	0.50%
Baa2	1,082,861	0.82%	542,644	1.14%	1,625,505	0.91%
Baa3	2,044,543	1.55%	404,880	0.85%	2,449,423	1.36%
Ba1	162,742	0.12%	55,022	0.12%	217,764	0.12%
Ba2	35,586	0.03%	120,603	0.25%	156,189	0.09%
Ba3	55,330	0.04%	16,527	0.03%	71,857	0.04%
Total	<u>\$ 131,930,158</u>	<u>100.00%</u>	<u>\$ 47,542,525</u>	<u>100.00%</u>	<u>\$ 179,472,683</u>	<u>100.00%</u>

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. During fiscal year 2009 and 2008, the District did have more than 5% of total investments in a single issuer aside from the Local Agency Investment Fund (LAIF) and are as follows:

	2009	2008
Federal Farm Credit Bank	\$ 487,555	\$ 823,011
Federal Home Loan Bank	546,992	909,627
Federal Home Loan Mortgage Corporation	1,633,363	—
Federal National Mortgage Association	581,288	3,668,805
First Chicago Corp	—	1,524,180
	<u>\$ 3,249,198</u>	<u>\$ 6,925,623</u>

The investment policy of the Pension Trust Funds states that the investment in the securities of a single issuer shall not exceed 5% (at cost) of the value of the portfolio. None of the Pension Trusts Funds' investments in a single organization represented greater than 5% of the total investments.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

2. CASH AND INVESTMENTS (Continued)

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

As of June 30, 2009 and 2008, \$7,991,860 and \$5,414,784 respectively, of the District's deposits were in excess of federal depository insurance (FDIC) limits and were held in collateralized accounts with securities collateralized in the financial institutions' name.

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

As of June 30, 2009 the District had no investment securities exposed to custodial credit risk. As of June 30, 2008, the District's investment securities exposed to custodial credit risk were \$7,730,817. The Pension Trust Funds' investment securities are not exposed to custodial credit risk because all securities are held by the Pension Trust Funds' custodian bank.

INVESTMENT IN STATE INVESTMENT POOL

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Local Investment Advisory Board (LIAB). The LIAB consists of five members as designated by State statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District did not directly enter into any derivative investments. The District's total investment in the LAIF at June 30, 2009 and 2008 was \$6,947,557 and \$4,801,513, respectively. The total fair value amount invested by all public agencies in LAIF at June 30, 2009 and 2008 was \$25,156,667,108 and \$25,160,913,446, respectively. The LAIF is part of the Pooled Money Investment Account (PMIA) whose balances as of June 30, 2009 and June 30, 2008 were \$50,853,707,566 and \$70,024,464,150, respectively. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities at June 30, 2009 and 2008, totaling \$2,296,565,000 and \$4,188,272,000, approximately 4.52% and 5.98% of the total portfolio, and structured notes totaling \$5,169,332,000 and \$6,113,006,000, approximately 10.17% and 8.73% of the total portfolio, respectively.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

2. CASH AND INVESTMENTS (Continued)

FOREIGN CURRENCY RISK

The current District investment policy does not address foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

The Pension Trust Funds' investment policy states that international equity shall be comprised of American Depository Receipts (ADR) of non-U.S. companies, common stocks of non-U.S. companies, preferred stocks of non-U.S. companies, foreign convertible securities including debentures convertible to common stocks, and cash equivalents.

The following table provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars. As of June 30, 2009 and 2008 the District does not have any deposits or investments in a foreign currency; however, the Pension Trust Funds do have foreign currency deposits and investments, which may be used for hedging purposes.

At June 30, 2009, the U.S. dollar balances organized by investment type and currency denominations are as follows:

Fiduciary Fund:				
	<u>Foreign Currency</u>	<u>ATU/IBEW</u>	<u>Salaried</u>	<u>U.S. Dollars</u>
Cash	Euro Currency	\$ 13,916	\$ 4,336	\$ 18,252
	Japanese Yen	19,436	6,019	25,455
	Pound Sterling	—	38	38
Stocks	Euro Currency	4,205,835	1,429,673	5,635,508
	Japanese Yen	3,410,200	1,252,018	4,662,218
	New Zealand Dollar	65,079	—	65,079
	Pound Sterling	1,883,007	682,937	2,565,944
	Swiss Franc	272,295	131,652	403,947
Total:		<u>\$ 9,869,768</u>	<u>\$ 3,506,673</u>	<u>\$ 13,376,441</u>

At June 30, 2008, the U.S. dollar balances organized by investment type and currency denominations are as follows:

Fiduciary Fund:				
	<u>Foreign Currency</u>	<u>ATU/IBEW</u>	<u>Salaried</u>	<u>U.S. Dollars</u>
Cash	Euro Currency	\$ 26,529	\$ 8,983	\$ 35,512
	Japanese Yen	71,285	24,280	95,565
Stocks	Euro Currency	5,611,894	1,853,293	7,465,187
	Japanese Yen	5,498,871	1,860,652	7,359,523
	New Zealand Dollar	97,610	—	97,610
	Pound Sterling	3,254,597	1,126,150	4,380,747
	Swiss Franc	700,771	268,884	969,655
Total:		<u>\$ 15,261,557</u>	<u>\$ 5,142,242</u>	<u>\$ 20,403,799</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

2. CASH AND INVESTMENTS (Continued)

RESTRICTED CASH AND INVESTMENTS

Enterprise Fund

At June 30, 2009 and 2008, cash and investments includes restricted amounts of the District's Enterprise Fund of \$22,775,329 and \$17,559,927, respectively. Amounts represent monies restricted for retirement of debt, developer fee projects, and grantor-approved projects.

Fiduciary Fund

At June 30, 2009 and 2008, cash and investments includes restricted amounts of the Pension Trust Funds of \$152,943,822 and \$179,472,683, respectively. Amounts represent funds restricted for employees' retirement.

3. PREPAID LEASE

The District leases parking space from the State of California under a thirty-year lease expiring on June 30, 2017, with a fifteen-year no cost extension option. The total lease rental payments of \$1,500,000 were prepaid by the District and are being expensed over a thirty-year period. The prepaid lease balance at June 30 is summarized as follows:

	2009	2008
Prepaid Lease, Balance	\$ 400,000	\$ 450,000
Less: Current Portion	(50,000)	(50,000)
Prepaid Lease, Non-current	\$ 350,000	\$ 400,000

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

4. CAPITAL ASSETS

Activity for the year ended June 30, 2009 was as follows:

Assets at Cost	Balance 6/30/08	Additions	Transfers	Deletions	Balance 6/30/09
Non-Depreciated Capital Assets					
Land*	\$ 84,130,373	\$ 651,286	\$ 445,000	\$ —	\$ 85,226,659
Capital Projects in Process	46,086,568	28,828,138	(16,019,673)	—	58,895,033
Total Non-Depreciated Capital Assets	<u>130,216,941</u>	<u>29,479,424</u>	<u>(15,574,673)</u>	<u>—</u>	<u>144,121,692</u>
Depreciated Capital Assets					
Buildings and Improvements*	623,555,098	345,328	9,897,349	—	633,797,775
Buses and Other Equipment	273,519,825	18,333,700	5,677,324	(21,823,250)	275,707,599
Total Depreciated Capital Assets	<u>897,074,923</u>	<u>18,679,028</u>	<u>15,574,673</u>	<u>(21,823,250)</u>	<u>909,505,374</u>
Accumulated Depreciation:					
Buildings and Improvements	(141,078,343)	(16,953,256)	—	—	(158,031,599)
Buses and Other Equipment	(123,165,190)	(14,109,223)	—	21,823,250	(115,451,163)
Total Accumulated Depreciation	<u>(264,243,533)</u>	<u>(31,062,479)</u>	<u>—</u>	<u>21,823,250</u>	<u>(273,482,762)</u>
Capital Assets Being Depreciated, Net	<u>632,831,390</u>	<u>(12,383,451)</u>	<u>15,574,673</u>	<u>—</u>	<u>636,022,612</u>
Capital Assets, Net	<u>\$ 763,048,331</u>	<u>\$ 17,095,973</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 780,144,304</u>

*Land and Building – the values of the land and buildings at McClellan Park, approximately \$3.7 million and \$6.7 million, respectively, are included in these figures in anticipation of the District receiving future Fee Simple title. On January 5, 2007, a net lease and purchase agreement was recorded, giving the District a 94-year land and building leasehold and providing for a future transfer of Fee Simple title upon completion of Hazardous Materials clean-up by the United States Air Force. Pursuant to such transaction, the District acquired a leasehold interest in multiple buildings and some exterior parking and the right to use certain common areas at McClellan Park (formerly McClellan Air Force Base). Fee Simple title to the property is projected to be transferred to the District in 2010. Therefore, the current lease in furtherance of conveyance is being reported as a fee simple ownership of the property.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

4. CAPITAL ASSETS (continued)

Activity for the year ended June 30, 2008 was as follows:

Assets at Cost	Balance 6/30/07	Additions	Transfers	Deletions	Balance 6/30/08
Non-Depreciated Capital Assets					
Land*	\$ 83,313,020	\$ —	\$ 817,353	\$ —	\$ 84,130,373
Capital Projects in Process	42,161,843	39,304,318	(35,033,502)	(346,091)	46,086,568
Total Non-Depreciated Capital Assets	<u>125,474,863</u>	<u>39,304,318</u>	<u>(34,216,149)</u>	<u>(346,091)</u>	<u>130,216,941</u>
Depreciated Capital Assets					
Buildings and Improvements*	613,177,257	—	10,381,360	(3,519)	623,555,098
Buses and Other Equipment	255,504,374	—	23,834,789	(5,819,338)	273,519,825
Total Depreciated Capital Assets	<u>868,681,631</u>	<u>—</u>	<u>34,216,149</u>	<u>(5,822,857)</u>	<u>897,074,923</u>
Accumulated Depreciation:					
Buildings and Improvements	(124,432,416)	(16,645,927)	—	—	(141,078,343)
Buses and Other Equipment	(116,842,084)	(12,127,120)	—	5,804,014	(123,165,190)
Total Accumulated Depreciation	<u>(241,274,500)</u>	<u>(28,773,047)</u>	<u>—</u>	<u>5,804,014</u>	<u>(264,243,533)</u>
Capital Assets Being Depreciated, Net	<u>627,407,131</u>	<u>(28,773,047)</u>	<u>34,216,149</u>	<u>(18,843)</u>	<u>632,831,390</u>
Capital Assets, Net	<u>\$ 752,881,994</u>	<u>\$ 10,531,271</u>	<u>\$ —</u>	<u>\$ (364,934)</u>	<u>\$ 763,048,331</u>

5. LINE OF CREDIT

For the purpose of short term borrowing needs, the District has an unsecured line of credit agreement with a bank. As of June 30, 2009 and June 30, 2008, the District is in compliance with the short term borrowing requirements stated under the California Government Code. The purpose of the line of credit is to meet the District's liquidity needs stemming from the timing of cash receipts from Federal and State awards. The line is subject to a \$20,000,000 limit and bears interest at either prime rate minus one half percent on a fixed rate basis or LIBOR plus two percent on a variable basis. The line of credit expired June 30, 2009. The District renewed the line of credit from Wells Fargo Bank in the amount of \$25,000,000. The line of credit is available until June 30, 2010. The line of credit balance at June 30, 2009 and 2008 is summarized as follows:

	2009	2008
Beginning Balance	\$ 10,500,000	\$ —
Draws	44,300,000	28,000,000
Payments	(34,800,000)	(17,500,000)
Ending Balance	<u>\$ 20,000,000</u>	<u>\$ 10,500,000</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

6. LEASES

OPERATING LEASES

The District leases buildings, parking lots, and office facilities under non-cancelable operating leases. Total cost for such leases was \$596,515 and \$573,113 for the fiscal years ended June 30, 2009 and 2008, respectively. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 577,383
2011	430,249
2012	369,991
Total	<u>\$ 1,377,623</u>

CAPITAL LEASES

FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK

In December 2005, January 2006 and September 2007, the District entered into 3 transactions to lease 50 light rail vehicles to an equity investor (the "headlease") and simultaneously subleased the light rail cars back (the "sublease"). Trusts were created coincident to these transactions to serve as the lessee\ sublessor.

Under the headlease agreements, the District retains the right to use the light rail vehicles and is also responsible for their continued maintenance and insurance. These transactions resulted in a net cash gain to the District of \$11,820,731, which was deferred and is being amortized over the life of the lease. At June 30, 2009 and 2008, the District had a balance of \$10,703,953 and \$11,127,950, respectively, as deferred gain on Lease/Leaseback. During the fiscal years ending June 30, 2009 and 2008, the District amortized \$415,842 and \$379,604 of the Deferred Gain on Lease/Leaseback.

The District's sublease arrangement has been recorded similar to a capital lease arrangement in that the present value of the future lease payments has been recognized on the Statement of Net Assets as a Lease/Leaseback payable.

At closing, the light rail vehicles had a fair value of approximately \$223,880,000 and a net book value of \$94,822,528. As part of the headlease agreements, the District received prepayments equivalent to the net present value of the headlease obligations. The District transferred a portion of these proceeds to third party lenders/undertakers in accordance with the terms of debt and equity payment undertaking agreements. These agreements constitute commitments by the debt and equity payment undertakers to pay the District's sublease and buy-out options under the terms of the subleases. The debt and equity payment undertakers' performance under the agreement is guaranteed by their parent company. In accordance with generally accepted accounting principles in the United States of America, the District has reflected this as a financing transaction.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

6. LEASES (Continued)

In September and November 2008, American International Group (AIG) and Ambac Assurance Corporation (Ambac) were respectively downgraded by both the Standard and Poor's and Moody's rating agencies. AIG and Ambac are financial participants in all of the District's three lease transactions, which are referred to as Sale In/Lease Out (SILO) transactions. The downgrade of AIG triggered a requirement within the lease documents for the District to replace AIG within 60 days with a similar financial participant acceptable to the equity investor. The downgrade of Ambac also triggered another replacement requirement on all three transactions. AIG and Ambac continue to perform as required on all three lease transactions since the downgrades and the District's equity investor has granted the District consecutive extensions from to find acceptable replacements. The District continues to make every effort to replace AIG and Ambac with acceptable alternatives while actively participating in the national coalition of similarly positioned public agencies in their efforts to work towards a regulatory or legislative solution to the SILO and Lease In/Lease Out (LILO) problems which are being experienced throughout the transit industry nationwide. In the event that the District is unable to replace AIG and Ambac with acceptable alternatives and relief is not experienced at the regulatory or legislative level or as a result of negotiations with its equity investor, the District in a worse case scenario could be required to pay the net termination value on the leases. However, it is reasonably anticipated that this negative consequence can be averted.

As a result of the downgrade of AIG and Ambac the District also needed to seek forbearance from Wells Fargo Bank who provides a line of credit to the District for its working capital. Wells Fargo Bank has provided extensions as provided by the District's equity investor on the SILO transactions. The need for additional forbearance with respect to the line of credit will end when a permanent solution is reached with respect to AIG and Ambac in connection with the lease transactions.

As the debt and equity payment undertaking agreements have been structured to meet all future obligations under the sublease, the District has recorded the amounts held by the payment undertakers as Deposits for Lease/Leaseback Payables on the Statements of Net Assets. At June 30, 2009 and 2008, the balance of this deposit was \$146,527,940 and \$190,508,944, respectively.

The obligation under the lease agreements and the investments held to pay the lease/leaseback obligation are adjusted annually to reflect the change in the net present value of the related sublease and buy-out options.

The following table sets forth the aggregate amounts due under the sublease agreements:

Future minimum payments due in fiscal years ending June 30,:	Amount
2010	\$ 52,081,022
2011	47,264,990
2012	24,271,104
2013	3,857,272
2014	—
2015-2019	—
2020-2024	—
2025-2029	—
2030-2034	14,252,635
2035-2036	83,679,455
Total future minimum payments	225,406,478
Less: imputed interest	(78,878,538)
Present value of minimum lease payments	\$ 146,527,940

**SACRAMENTO REGIONAL TRANSIT DISTRICT
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7. LONG-TERM DEBT

CERTIFICATES OF PARTICIPATION 2003 FAREBOX REVENUE

In December 2003, the California Transit Finance Corporation (CTFC) issued Certificates of Participation (COP) totaling \$18,000,000 on behalf of the District with interest rates ranging from 2.0% to 5.0%. The COPs continue to finance the acquisition of light rail vehicles, trolley vehicles and real property to be used for maintenance facilities. On December 1, 2003, the District entered into an installment purchase contract with the CTFC. The obligation of the District to make installment payments is an unconditional obligation of the District payable solely from, and secured by, a lien on and gross pledge of farebox revenues through 2015. The installment agreement requires the District to make annual COP payments to CTFC which are then remitted to the COP holders. Scheduled maturity dates occur at various times through March 1, 2015. Annual principal and interest payments on the COPs are expected to require less than 6.8 percent of total farebox revenues. The total principal and interest remaining to be paid on the COPs were \$12,476,910 and \$14,555,945 at June 30, 2009 and 2008 respectively. Principal and interest paid were \$2,079,033 and \$2,081,508 for the fiscal years ending June 30, 2009 and 2008 respectively. Farebox revenues were \$32,571,459 and \$29,865,810 for the fiscal years ending June 30, 2009 and 2008 respectively.

As of June 30, 2009, debt service requirements to maturity are as follows:

Fiscal Years Ending June 30,:	Principal	Interest	Total
2010	\$ 1,605,000	\$ 472,533	\$ 2,077,533
2011	1,690,000	392,282	2,082,282
2012	1,770,000	307,783	2,077,783
2013	1,835,000	244,062	2,079,062
2014	1,905,000	175,250	2,080,250
2015	<u>2,000,000</u>	<u>80,000</u>	<u>2,080,000</u>
Total	<u>\$ 10,805,000</u>	<u>\$ 1,671,910</u>	<u>\$ 12,476,910</u>

As of June 30, 2009, the unamortized premium and bond issuance cost associated with the COPs were \$430,574 and \$294,466, respectively. As of June 30, 2008, the unamortized bond premium and bond issuance costs were \$506,557 and \$346,432, respectively.

For the fiscal years ended June 30, 2009, and 2008, the amortization of the premium and issuance costs were \$75,984 and \$51,964, respectively.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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7. LONG TERM DEBT (Continued)

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Certificates of Participation	\$ 12,335,000	\$ —	\$ (1,530,000)	\$ 10,805,000	\$ 1,605,000
Issuance Premium	506,557	—	(75,983)	430,574	75,984
Total COP	12,841,557	—	(1,605,983)	11,235,574	1,680,984
Compensated Absences	8,304,373	6,898,316	(6,673,922)	8,528,767	6,835,175
Advances from Other Governments	20,498,631	2,590,785	(3,541,932)	19,547,484	6,445,829
Claims Payable	21,466,000	4,919,261	(4,535,261)	21,850,000	6,425,000
Lease/Leaseback Payable	190,508,944	8,489,134	(52,470,138)	146,527,940	44,707,003
Long-term liabilities	\$ 253,619,505	\$ 22,897,496	\$ (68,827,236)	\$ 207,689,765	\$ 66,093,991

Long term liability activity for the fiscal year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Certificates of Participation	\$ 13,805,000	\$ —	\$ (1,470,000)	\$ 12,335,000	\$ 1,530,000
Issuance Premium	582,541	—	(75,984)	506,557	75,984
Total COP	14,387,541	—	(1,545,984)	12,841,557	1,605,984
Compensated Absences	8,553,151	7,281,313	(7,530,091)	8,304,373	7,301,049
Advances from Other Governments	11,790,416	10,166,544	(1,458,329)	20,498,631	3,875,779
Retention Payable	3,700,776	—	(2,820,174)	880,602	880,602
Claims Payable	21,128,000	8,367,461	(8,029,461)	21,466,000	6,501,000
Lease/Leaseback Payable	119,960,064	106,941,234	(36,392,354)	190,508,944	42,901,448
Long-term liabilities	\$ 179,519,948	\$ 132,756,552	\$ (57,776,393)	\$ 254,500,107	\$ 63,065,862

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

8. FUNDING SOURCES

The District is dependent upon funds from several sources to meet its operating, maintenance, and capital requirements. The receipt of such funds is controlled by statutes, the provisions of various grant contracts, regulatory approvals, and, in some instances, is dependent on the availability of grantor and local matching funds.

FEDERAL GRANTS

Federal grant funding is obtained from the Federal Transit Administration (FTA). Federal funding for the fiscal years ended June 30 is comprised of the following:

	<u>2009</u>	<u>2008</u>
Operating assistance grants:		
FTA Section 5316	\$ 652,671	\$ 651,931
FTA Section 5307	17,669,227	17,268,268
FTA Section 5309	4,465,646	4,883,957
FTA ARRA	8,000,000	—
Total Federal operating assistance grants	<u>30,787,544</u>	<u>22,804,156</u>
Capital grants:		
FTA Section 5307	929,338	555,030
FTA Section 5309	892,613	950,514
STP and CMAQ	7,162,647	3,069,640
Total Federal capital grants	<u>8,984,598</u>	<u>4,575,184</u>
Total Federal operating and capital grants	<u>\$ 39,772,142</u>	<u>\$ 27,379,340</u>

The FTA retains its interest in assets acquired with Federal funds should they be disposed of before the end of their economic lives or not used for public transit.

Under provisions of Section 5307 of the Urban Mass Transportation Act of 1964, as amended, Federal resources are made available for planning, capital, and operating assistance, subject to certain limitations. Funds are apportioned annually based on a statutory formula and are available for a period of three years following the close of the fiscal year for which they were apportioned. Any unobligated funds at the end of such period revert to the federal government. In general, funds received for operations must, at a minimum, be matched 50% with local contributions and funds for capital projects must be matched 20% with local contributions.

On February 17, 2009 the President signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). The Act provides direct funding from the federal government for infrastructure, fiscal stabilization and other programs over the next several years. ARRA is designed to create or save jobs, and invest in science, health care, transportation, education, and energy efficiency.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

8. FUNDING SOURCES (Continued)

STATE AND LOCAL GRANTS

The District qualified for and received distributions from Local Transportation Funds and State Transit Assistance under claims approved by the Sacramento Area Council of Governments (SACOG) in accordance with provisions of the Transportation Development Act (TDA).

State and local grant funding for the fiscal years ended June 30, is comprised of the following:

	<u>2009</u>	<u>2008</u>
Operating assistance grants:		
Local Transportation Funds	\$ 33,056,759	\$ 32,568,348
Measure A Sales Tax Revenue	34,872,181	44,945,670
State Transit Assistance	<u>2,796,057</u>	<u>7,043,727</u>
Total state and local operating assistance grants	<u>70,724,997</u>	<u>84,557,745</u>
Capital grants:		
State Transit Assistance	2,112,033	1,364,382
Traffic Congestion Relief Program	7,744,656	1,578,980
Measure A Sales Tax Revenue	8,431,317	197,204
Proposition 116	606,620	—
Proposition IB	2,097,894	—
Developer Fees	1,095,961	750,327
Public Transportation Account	16,278,065	23,499,470
Air Quality Management	1,736,000	—
City of Folsom	—	1,334,627
Sacramento County	1,038,427	—
Department of Transportation	317,607	—
Sacramento Housing and Redevelopment	297,512	—
Homeland Security	253,581	306,462
Other	<u>431,345</u>	<u>574,787</u>
Total state and local capital grants	<u>42,441,018</u>	<u>29,606,239</u>
Total state and local grants	<u>\$ 113,166,015</u>	<u>\$ 114,163,984</u>

ADVANCES FROM OTHER GOVERNMENTS

Advances at June 30, consisted of the following:

	<u>2009</u>	<u>2008</u>
Developer Fees	\$ 12,430,435	\$ 12,674,432
Proposition IB	6,445,829	6,885,751
Laguna Facilities District	579,289	740,737
Other	<u>91,931</u>	<u>197,711</u>
Total advances from other governments	<u>\$ 19,547,484</u>	<u>\$ 20,498,631</u>

The advances from other governments are utilized principally for capital funding.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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9. FARE REVENUE RATIO

The District is required to maintain a fare revenue-to-operating expense ratio of 25.50% in accordance with the Transportation Development Act. To demonstrate compliance with this Fare Revenue Ratio, the District has supplemented, per California Public Utilities Code Section 99268.19, a portion of its Local Measure A funds in order to meet the required ratio. The fare revenue-to-operating expense ratio for the District is calculated as follows for the fiscal years ended June 30:

	2009	2008
Fare Revenues	\$ 32,571,459	\$ 29,865,810
Local Fund Supplementation (Measure A)	3,962,864	8,659,123
Total Revenues	\$ 36,534,323	\$ 38,524,933
Operating Expenses	\$ 173,970,458	\$ 179,523,574
Less Allowable Exclusions:		
Depreciation and Amortization	(30,698,602)	(28,445,407)
Net Operating Expenses	\$ 143,271,856	\$ 151,078,167
Fare Revenue Ratio	25.5%	25.5%

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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10. PENSION PLANS

DESCRIPTION OF PLANS

The District contributes to three single-employer defined benefit pension plans: The Sacramento Regional Transit District Retirement Plan for members of ATU, Local 256 (the ATU plan), the Sacramento Regional Transit District Retirement Plan for members of and IBEW Local 1245 (the IBEW Plan), and the Sacramento Regional Transit District Retirement Plan for Salaried Employees who are members of the Administrative Employees' Association (AEA), Management and Confidential Employees Group (MCEG), and the American Federation of State, County and Municipal Employees (AFSCME) (Salaried Plan).

The plans are administered by the District under the direction of five separate Retirement Boards of Directors, each representing one of the aforementioned bargaining and employee groups of ATU, IBEW, AEA, AFSCME and MCEG. Each Retirement Board is comprised of equal representation; District Management by a member from the District's Board of Directors and General Manager, and two members from the represented group. All members are elected annually.

For the ATU Plan, the ATU members will fully vest after ten years of service and for the IBEW plan, the IBEW members will fully vest after five years of service. For the Salaried Plan, members represented by the AEA and MCEG fully vest after five years of service. The members of AFSCME fully vest after nine years of service.

Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. The District's Board of Directors and the collective bargaining groups jointly establish and amend benefit provisions for the ATU, IBEW and Salaried Plans. Each plan, the ATU/IBEW plan and the Salaried Plan issues a publicly available financial report that includes financial statements and required supplementary information for that respective plan. As allowed by the bargaining agreements, the ATU/IBEW plan commingle their assets and thereby report the commingled assets and financial information as one stand alone plan. Those reports may be obtained by writing to Sacramento Regional Transit District, Attention: Chief Financial Officer, P.O. Box 2110, Sacramento, CA 95812.

ADMINISTRATION

The plans are administered by the Retirement Boards. All expenses incurred in the administration of the plans are paid by the plans, with the exception of the yearly financial statement audit fees.

FUNDING POLICY

The District contributed 100% of an actuarially determined rate; the rates for the fiscal year ended June 30, 2009, were 16.30% and 17.97% of annual covered payroll for the ATU/IBEW and Salaried Plans, respectively. These rates are based on the actuarial valuation dated July 1, 2007 amended for the change in the amortization of the period for funding the liability from 20 to 30 years. Contribution rates for the fiscal year ended June 30, 2008, based on the actuarial valuation dated July 1, 2006, were 17.89% and 18.31% of annual covered payroll for the ATU/IBEW and Salaried Plans, respectively. The District's contribution to the plans are mandated by contractual agreements with employee groups and may be amended at any time. Amendments to existing contracts are agreed upon between each collective bargaining unit and the District. No contributions are required by plan members.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

10. PENSION PLANS (Continued)

ANNUAL PENSION COST

The annual required contributions for both the ATU/IBEW Plan and Salaried Plan were determined as part of the July 1, 2007 and July 1, 2006 actuarial valuation using the entry age actuarial cost method. The July 1, 2007 and July 1, 2006 actuarial valuation reports were used to determine the contribution rate for fiscal year ended June 30, 2009 and June 30, 2008, respectively. The remaining amortization of the unfunded liability at June 30, 2007 was 30 years and 21 years at June 30, 2006. The liability funding period was increased from 20 to 30 years effective July 1, 2007.

The July 1, 2008 actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.76% to 12.82% for ATU/IBEW employees and 3.5% to 15.9% for Salaried employees. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of assets was determined using the market value adjusted to reflect investment earnings greater than (or less than) the assumed rate over a five-year period. The plans' unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on a closed basis.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
ATU/IBEW Employees' Plan:						
6/30/08	\$134,022,855	\$171,092,073	\$37,069,218	78.3%	\$44,916,133	82.5%
Salaried Employees' Plan:						
6/30/08	\$48,659,603	\$79,072,546	\$30,412,943	61.5%	\$21,114,983	144.0%

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

11. POST-RETIREMENT BENEFITS

DESCRIPTION OF PLAN

The District provides certain health care and life insurance benefits under the provisions of the Personnel Rules and Procedures for active and retired members of AEA, AFSCME, and MCEG. These members and their dependents may become eligible for such benefits if the employees reach normal retirement age while working for the District. These benefits and similar benefits for active employees are provided through an insurance company whose premiums are based on the benefits paid during the year.

The District established an irrevocable trust to prefund the other postemployment benefit annual required contribution by participating in the California Employer's Retiree Benefit Trust Program (CERBT) during the fiscal year ended June 30, 2009. The funds in the CERBT are held in trust and will be administered by the California Public Employees' Retirement System (CalPERS) as an agent multiple-employer plan. Benefit provisions are established and may be amended by District labor agreements which are approved by the Board of Directors. The District's Other Postemployment Benefits (OPEB) financial statements will be included in the CalPERS CAFR. Copies of the CalPERS' CAFR may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

FUNDING POLICY

The obligation of the District to contribute to the plan is established and may be amended through collective bargaining. The District is required to fund the plans until such time as the benefit is eliminated.

Prior to establishing the irrevocable trust with CERBT, the District paid on a pay-as-you-go basis. The District recorded health care and life insurance benefit contributions based on when the insurance premium payments were made, which were \$1,266,845 for the fiscal year ended June 30, 2008. The District contributes 92% of the cost for plan members hired after 1993, and 100% for plan members hired prior to 1994. One hundred and twenty-nine and one hundred twenty-four employees and/or their beneficiaries were eligible to receive such benefits at June 30, 2009, and 2008, respectively.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The CERBT fund, which is an IRC Section 115 Trust, is set up for the purpose of (i) receiving employer contributions to prefund health and other postemployment benefits for retirees and their beneficiaries, (ii) invest contributed amounts and income therein, and (iii) disburse contributed amounts and income therein, if any, to pay for costs of administration of the fund and to pay for health care costs or other postemployment benefits in accordance with the terms of the District's OPEB plan.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
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11. POST-RETIREMENT BENEFITS (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The ARC for the fiscal year ended June 30, 2009 was determined as part of the July 1, 2008 actuarial valuation. The ARC rate was 13.1% of annual covered payroll. For the fiscal year ended June 30, 2009 and 2008, the District's annual OPEB cost (expense) was \$2,751,016 and \$2,774,707, respectively. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 2,751,016	\$ 2,717,694
Interest on net OPEB obligation	90,243	57,013
Adjustment to annual required contribution	<u>(90,243)</u>	<u>0</u>
Annual OPEB cost (expense)	<u>2,751,016</u>	<u>2,774,707</u>
Contributions Made	<u>4,258,878</u>	<u>(1,266,845)</u>
Increase (Decrease) in net OPEB obligation	<u>(1,507,862)</u>	<u>1,507,862</u>
Net OPEB obligation – beginning of year	<u>1,507,862</u>	<u>0</u>
Net OPEB obligation – end of year	<u>\$ —</u>	<u>\$ 1,507,862</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2009 and 2008 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/08	\$2,774,707	45.7%	\$1,507,862
06/30/09	2,751,016	100.0%	—

FUNDING STATUS AND FUNDING PROGRESS

The funded status of the plan as of July 1, 2008, was as follows:

Actuarial accrued liability (AAL)	\$ 28,837,480
Actuarial value of plan assets	<u>—</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 28,837,480</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 19,292,251
UAAL as a percentage of covered payroll	<u>149.5%</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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11. POST-RETIREMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress immediately following the notes to the financial statements presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the July 1, 2008 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an 7.75% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10.0% for calendar year 2008, reduced by decrements of 0.5% a year to an ultimate rate of 4.5% at 2017 and thereafter.

The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method the plan's normal cost is developed as a level amount over the participants' working lifetime. The AAL is the cumulative value, on the valuation date, of prior service costs. For retirees, the AAL is the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of unfunded AAL over a thirty (30) year open period and is being amortized as a level percentage of increasing payroll. The Plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years in the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

12. SELF-INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Coverage provided by self-insured and excess coverage is generally as follows as of June 30, 2009:

Type of Coverage	Self-insurance (per occurrence)	Excess Coverage (per occurrence)
Workers' Compensation	Up to \$2,000,000	\$2,000,000 to 25,000,000
Commercial General Liability		
Bus	Up to \$2,000,000	\$2,000,000 to \$100,000,000
Light Rail	Up to \$5,000,000	\$5,000,000 to \$100,000,000
*Property:		
Flood & All Other Perils	Up to \$250,000	\$250,000 to \$227,500,000**
Collision	Up to \$500,000	\$500,000 to \$227,500,000

* Includes revenue and non-revenue vehicles.

** In Aggregate excess coverage for flood.

The District purchases commercial insurance for claims in excess of self-insured amounts and for all other risks of loss to a stated maximum amount. The District is self-insured for amounts in excess of these maximum amounts. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The claims liability of \$21,850,000 and \$21,466,000 reported at June 30, 2009, and 2008, respectively, is based on estimates of the amounts needed to pay prior and current year claims and to allow accrual of estimated incurred but not reported claims. Non-incremental claims adjustment expenses have been included as part of the liability. The liabilities are discounted using discount factors that assume a 4.5% and 5.25% rate of return at June 30, 2009, and 2008, respectively. As of June 30, 2009, and 2008, the current portion of the total claims liability is estimated to be \$6,425,000 and \$6,501,000, respectively. The remaining balance of \$15,425,000 and \$14,965,000, respectively, is reported as a long-term liability in the Statements of Net Assets.

These claim estimates are actuarially determined and based on the requirements of GASB Statements No. 10 and 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the District's claims liability amount during the fiscal years ended June 30, 2009 and 2008 were as follows:

Fiscal Year Ended	Beginning of the Year Liability	Current Year Claims and Changes in Estimate	Claims Payments	End of the Year Liability
June 30, 2009	\$ 21,466,000	\$ 4,919,261	\$ (4,535,261)	\$ 21,850,000
June 30, 2008	\$ 21,128,000	\$ 8,367,461	\$ (8,029,461)	\$ 21,466,000

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

13. CONTINGENT LIABILITIES AND COMMITMENTS

The District is involved in various claims and litigation arising from its operations. District management, after consultation with the District's general counsel, believes that the resolution of such matters will not have a material adverse effect on the District's financial position or results of operations.

The District receives funding for specific purposes that is subject to review and audit by the granting agencies or funding source. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

The District has construction contracts and property acquisition commitments of approximately \$14,334,740 and \$19,396,811 at June 30, 2009, and 2008, respectively. Federal, state, and local grant funds have been approved for such construction.

PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the PTMISEA. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement. PTMISEA activity for the fiscal years ended June 30, 2009 and 2008 are as follows:

Balance July 1, 2007	\$	—
Receipts		193,378
Expenses:		
Siemens Mid Life Overhaul		(193,378)
Balance June 30, 2008	\$	<u>—</u>
Balance July 1, 2008		
Receipts	\$	1,883,652
Expenses:		
Siemens Mid Life Overhaul		(659,331)
Replace Neighborhood Ride Vehicles (hybrids)		(1,180,165)
ADA Transit Plan Improvements		(14,149)
Ahern/12 th St Crossing Improvement		(5,217)
LRT Crossing Enhancements		(24,790)
Balance June 30, 2009	\$	<u>—</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
Schedule of Funding Progress
As of June 30, 2009**

Sacramento Regional Transit District
ATU/IBEW Pension Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/06	\$114,823,844	\$148,179,336	\$33,355,492	77.5%	\$42,897,044	77.8%
6/30/07	125,257,646	154,996,244	29,738,598	80.8%	44,718,496	66.5%
6/30/08	134,022,855	171,092,073	37,069,218	78.3%	44,916,133	82.5%

The District's contribution to the plans are mandated by contractual agreements with employee groups and may be amended at any time. Amendments to existing contracts are agreed upon between each collective bargaining unit and the District. No contributions are required by plan members.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
Schedule of Funding Progress
As of June 30, 2009**

Sacramento Regional Transit District
Salaried Pension Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/06	\$40,000,604	\$65,220,040	\$25,129,436	61.5%	\$21,363,057	117.6%
6/30/07	44,561,443	72,273,554	27,712,111	61.7%	21,929,109	126.4%
6/30/08	48,659,603	79,072,546	30,412,943	61.5%	21,114,983	144.0%

The District's contribution to the plans are mandated by contractual agreements with employee groups and may be amended at any time. Amendments to existing contracts are agreed upon between each collective bargaining unit and the District. No contributions are required by plan members.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
Schedule of Funding Progress
As of June 30, 2009**

Sacramento Regional Transit District
Retirees' Other Post Employment Benefits (OPEB) Trust

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/01/06	-	\$21,918,000	\$21,918,000	-	\$21,180,000	108.2%
7/01/08	-	28,837,480	28,837,480	-	19,292,251	149.5%

The District's contribution to the plan is mandated by contractual agreements with employee groups and may be amended at any time. Amendments to existing contracts are agreed upon between each collective bargaining unit and the District. No contributions are required by plan members.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 2009**

ASSETS	<u>ATU/IBEW</u>	<u>Salaried</u>	<u>Total</u>
Current Assets:			
Cash and Cash Equivalents	\$ 5,140,335	\$ 1,776,169	\$ 6,916,504
Interest, Dividend and Other Receivables	<u>5,291,316</u>	<u>1,988,541</u>	<u>7,279,857</u>
Total Current Assets	<u>10,431,651</u>	<u>3,764,710</u>	<u>14,196,361</u>
Long-Term Investments:			
Equity Securities	65,588,411	23,975,787	89,564,198
Fixed Income Securities	<u>41,293,660</u>	<u>15,169,460</u>	<u>56,463,120</u>
Total Long-Term Investments	<u>106,882,071</u>	<u>39,145,247</u>	<u>146,027,318</u>
Total Assets	<u>117,313,722</u>	<u>42,909,957</u>	<u>160,223,679</u>
LIABILITIES			
Liabilities:			
Securities Purchased Payable	10,838,015	3,262,773	14,100,788
Accounts Payable	<u>1,230,234</u>	<u>58,448</u>	<u>1,288,682</u>
Total Liabilities	<u>12,068,249</u>	<u>3,321,221</u>	<u>15,389,470</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 105,245,473</u>	<u>\$ 39,588,736</u>	<u>\$ 144,834,209</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PENSION TRUST FUNDS
 JUNE 30, 2008**

ASSETS	<u>ATU/IBEW</u>	<u>Salaried</u>	<u>Total</u>
Current Assets:			
Cash and Cash Equivalents	\$ 3,857,595	\$ 1,479,233	\$ 5,336,828
Interest, Dividend and Other Receivables	<u>3,281,792</u>	<u>1,058,552</u>	<u>4,340,344</u>
Total Current Assets	<u>7,139,387</u>	<u>2,537,785</u>	<u>9,677,172</u>
Long-Term Investments:			
Equity Securities	68,771,876	25,009,427	93,781,303
Fixed Income Securities	<u>59,300,687</u>	<u>21,053,865</u>	<u>80,354,552</u>
Total Long-Term Investments	<u>128,072,563</u>	<u>46,063,292</u>	<u>174,135,855</u>
Total Assets	<u>135,211,950</u>	<u>48,601,077</u>	<u>183,813,027</u>
LIABILITIES			
Liabilities:			
Securities Purchased Payables	9,704,658	2,932,717	12,637,375
Accounts Payable	<u>324,233</u>	<u>141,640</u>	<u>465,873</u>
Total Liabilities	<u>10,028,891</u>	<u>3,074,357</u>	<u>13,103,248</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 125,183,059</u>	<u>\$ 45,526,720</u>	<u>\$ 170,709,779</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

ADDITIONS	<u>ATU/IBEW</u>	<u>Salaried</u>	<u>Total</u>
Contributions:			
Employer	\$ 6,937,170	\$ 3,819,900	\$ 10,757,070
Member	32,704	—	32,704
Total Contributions	<u>6,969,874</u>	<u>3,819,900</u>	<u>10,789,774</u>
Investment Income:			
Net Decrease in Fair Value of Investments	(20,291,908)	(7,246,832)	(27,538,740)
Interest, Dividends, and Other Income	3,782,205	1,360,852	5,143,057
Investment Expenses	(814,919)	(299,720)	(1,114,639)
Net Investment Loss	<u>(17,324,622)</u>	<u>(6,185,700)</u>	<u>(23,510,322)</u>
Total Deductions	<u>(10,354,748)</u>	<u>(2,365,800)</u>	<u>(12,720,548)</u>
DEDUCTIONS			
Benefits Paid to Participants	9,506,648	3,502,797	13,009,445
Administrative Expenses	76,190	69,387	145,577
Total Deductions	<u>9,582,838</u>	<u>3,572,184</u>	<u>13,155,022</u>
Decrease in Net Assets	(19,937,586)	(5,937,984)	(25,875,570)
Net Assets Held in Trust for Pension Benefits - July 1	<u>125,183,059</u>	<u>45,526,720</u>	<u>170,709,779</u>
Net Assets Held in Trust for Pension Benefits- June 30	<u>\$ 105,245,473</u>	<u>39,588,736</u>	<u>144,834,209</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PENSION TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

ADDITIONS	<u>ATU/IBEW</u>	<u>Salaried</u>	<u>Total</u>
Contributions:			
Employer	\$ 7,680,725	\$ 4,132,017	\$ 11,812,742
Investment Income:			
Net Decrease in Fair Value of Investments	(10,237,765)	(3,582,611)	(13,820,376)
Interest, Dividends, and Other Income	4,294,520	1,560,713	5,855,233
Investment Expenses	(1,004,214)	(361,373)	(1,365,587)
Net Investment Loss	(6,947,459)	(2,383,271)	(9,330,730)
Total Additions	<u>733,266</u>	<u>1,748,746</u>	<u>2,482,012</u>
DEDUCTIONS			
Benefits Paid to Participants	7,930,805	3,257,431	11,188,236
Administrative Expenses	<u>108,436</u>	<u>68,019</u>	<u>176,455</u>
Total Deductions	<u>8,039,241</u>	<u>3,325,450</u>	<u>11,364,691</u>
Decrease in Net Assets	(7,305,975)	(1,576,704)	(8,882,679)
Net Assets Held in Trust for Pension Benefits - July 1	<u>132,489,034</u>	<u>47,103,424</u>	<u>179,592,458</u>
Net Assets Held in Trust for Pension Benefits - June 30	<u>\$ 125,183,059</u>	<u>\$ 45,526,720</u>	<u>\$ 170,709,779</u>

SACRAMENTO REGIONAL TRANSIT DISTRICT STATISTICAL INFORMATION (UNAUDITED)

This part of the Sacramento Regional Transit District'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 District's overall financial health.

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Financial Trends

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These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

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These schedules contain information to help the reader assess the factors affecting the District's ability to generate its fares.

Debt Capacity

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These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

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These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year. The District implemented GASB Statement No. 34 during the fiscal year ended June 30, 2004 (with comparative results for the fiscal year ended June 30, 2003); schedules are presented beginning in that year.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Net Assets								
Invested in Capital Assets, Net of Related Debt	\$429,884,286	\$539,090,155	\$690,299,311	\$717,156,080	\$726,108,985	\$743,350,268	\$752,242,824	\$771,044,618
Restricted for Capital Projects	4,947,856	6,099,645	3,068,545	2,682,164	2,103,382	1,927,944	1,699,248	2,580,209
Unrestricted	25,953,281	13,372,312	3,705,484	10,460,999	1,807,267	9,881,934	2,695,069	1,445,707
Total Net Assets	<u>\$460,785,423</u>	<u>\$558,562,112</u>	<u>\$697,073,340</u>	<u>\$730,299,243</u>	<u>\$730,019,634</u>	<u>\$755,160,146</u>	<u>\$756,637,141</u>	<u>\$775,070,534</u>

Source: Comprehensive Annual Financial Report

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

	Changes in Net Assets Last Eight Fiscal Years (accrual basis of accounting) Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Operating Revenues								
Fares	\$21,848,823	\$ 21,744,856	\$ 22,003,511	\$ 21,101,127	\$25,071,791	\$ 27,101,261	\$ 29,865,810	\$ 32,571,459
Operating Expenses								
Labor and Fringe Benefits	56,331,820	62,832,940	72,483,379	79,366,137	85,367,863	85,886,946	93,779,919	91,580,300
Professional and Other Services	14,453,815	17,028,922	19,552,537	21,418,260	23,555,360	23,612,684	26,504,694	26,584,306
Spare Parts and Supplies	10,047,407	10,062,997	11,091,794	14,467,760	18,444,824	14,941,288	12,187,760	12,950,141
Utilities	2,637,652	3,172,557	4,349,380	4,386,924	5,578,806	4,944,021	5,550,144	5,544,739
Casualty and Liability Costs	10,686,707	10,661,690	9,308,192	7,175,773	7,787,626	9,773,759	11,159,479	7,104,114
Depreciation and Amortization Indirect Costs Allocated to Capital Programs	17,307,988	17,081,939	23,233,378	28,120,749	28,840,311	28,434,288	28,445,407	30,698,602
Other	1,327,360	1,414,831	1,864,053	2,092,273	1,890,293	1,970,575	1,896,171	(2,171,760)
Total Operating Expenses	112,792,749	122,255,876	141,882,713	157,029,876	171,465,083	169,563,561	179,523,574	173,970,458
Operating Loss	(90,943,926)	(100,511,020)	(119,879,202)	(135,928,749)	(146,393,292)	(142,462,300)	(149,657,764)	(141,398,999)
Non-Operating Revenues (Expenses) Operating Assistance:								
State and Local	52,591,930	52,242,163	66,877,107	70,453,388	78,679,574	92,839,043	84,557,745	70,724,997
Federal	6,483,135	14,105,618	11,852,702	24,400,487	19,413,267	21,011,076	22,804,156	30,787,544
Investment Income	2,286,149	2,203,817	1,076,396	842,381	3,881,756	7,907,986	8,145,081	8,910,839
Interest Expense	(635,997)	(459,450)	(469,877)	(633,675)	(3,805,198)	(7,900,469)	(7,951,190)	(9,154,035)
Pass Through to Subrecipients		(227,046)	(751,881)	(527,795)	(2,570,421)	(1,790,639)	(1,377,945)	(478,468)
Contract Services	6,778,896	5,561,255	5,697,324	4,969,841	4,992,826	5,295,200	4,732,120	4,311,430
Other	3,418,483	1,559,822	1,728,354	1,507,615	1,198,073	891,015	4,336,186	3,304,469
Total Non-Operating Revenues	70,922,596	74,986,179	86,010,125	101,012,302	101,789,877	118,253,212	115,246,153	108,406,776
Loss Before Capital Contributions	(20,021,330)	(25,524,841)	(33,869,077)	(34,916,447)	(44,603,415)	(24,209,088)	(34,411,611)	(32,992,223)
Capital Contributions								
State and Local	27,627,912	59,605,048	57,025,643	14,778,557	22,287,387	21,267,294	29,606,239	42,441,018
Federal	40,478,728	63,172,602	115,451,448	54,333,899	21,321,013	28,062,306	4,575,184	8,984,598
Increase in Net Assets before Extraordinary Item	48,085,310	97,252,809	138,608,014	34,196,009	(995,015)	25,140,512	(230,188)	18,433,393
Extraordinary Loss on Early Extinguishment of Debt			(96,786)					
Special Items					715,406			
Increase(Decrease) in Net Assets after Extraordinary Item	\$48,085,310	\$97,252,809	\$ 138,511,228	\$ 34,196,009	\$ (279,609)	\$ 25,140,512	\$ (230,188)	\$ 18,433,393

Source: Comprehensive Annual Financial Report

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

Operating Revenues by Source
Last Eight Fiscal Years

Fiscal Year	Farebox	Fare Prepayment/ Outlet Sales	Special / Contracted	Other	Total
2002	\$ 7,206,316	\$ 13,126,971	\$ 1,513,401	\$ 2,135	\$ 21,848,823
2003	6,819,467	12,850,666	2,075,200	(477)	21,744,856
2004	7,230,262	12,022,373	2,750,876	-	22,003,511
2005	7,161,638	11,686,809	2,246,603	6,077	21,101,127
2006	7,677,324	16,325,280	1,054,862	14,325	25,071,791
2007	8,179,034	18,182,009	718,701	21,517	27,101,261
2008	8,549,841	19,672,827	1,622,660	20,482	29,865,810
2009	8,801,118	22,156,898	1,592,215	21,228	32,571,459

Total Revenue Source: Comprehensive Annual Financial Report

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**Principal Fare Revenue Payers
Current Year and Nine Years Ago**

Customers	Fiscal Year 2009 Sales		Fiscal Year 2000 Sales	
	Amount	%	Amount	%
Department of Human Assistance	\$ 2,018,975	6.2%	\$ 779,635	4.1%
Raley's Family of Fine Stores	1,364,998	4.2%	421,060	2.2%
Health & Human Services	1,253,438	3.8%	315,125	1.7%
Department of Transportation	1,124,453	3.5%	271,021	1.4%
Los Rios Community College District	1,098,903	3.4%	—	—
Employment Development Department	927,833	2.8%	382,793	2.0%
Alta California Regional Center	918,020	2.8%	846,079	4.4%
California Environmental Protection Agency	913,923	2.8%	—	—
Franchise Tax Board	865,996	2.7%	—	—
Department of Motor Vehicles	567,356	1.7%	—	—
Ralphs	—	—	562,115	2.9%
Water Resources Department	—	—	460,544	2.4%
California State University Sacramento	—	—	247,913	1.3%
City of Sacramento	—	—	221,355	1.2%
Subtotal (10 Largest)	11,053,895	33.9%	4,507,640	23.6%
Balance from other customers	21,517,564	66.1%	14,562,237	76.4%
Grand Total	\$ 32,571,459	100.0%	\$ 19,069,877	100.0%

Total Revenue Source: Comprehensive Annual Financial Report

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Certificates of Participation 1992	Certificates of Participation 2003	Line of Credit	Six-County Region Percentage of Personal Income	Six-County Region Per Capita
2000	\$13,505,000	\$ —	\$ —	0.02%	6.93
2001	10,800,000	—	—	0.02%	5.38
2002	8,100,000	—	—	0.01%	3.92
2003	5,400,000	—	—	0.01%	2.55
2004	—	18,000,000	—	0.02%	8.35
2005	—	16,630,000	—	0.02%	7.60
2006	—	15,230,000	8,000,000	0.03%	10.48
2007	—	13,805,000	—	0.02%	6.15
2008	—	12,335,000	10,500,000	Not available	9.94
2009	—	10,805,000	20,000,000	Not available	13.26

Source: Comprehensive Annual Financial Report

Notes: The District did not include the Sale/Leaseback and the Lease/Leaseback debt as the District received matching deposits for the payment of these obligations.

The District has not entered into debt arrangements with legal debt limitations.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**CONTINUING DISCLOSURE REQUIREMENTS
(SEC Rule 15c2-12)**

The following summary provides the District's specific and continuing Securities and Exchange Commission (SEC) disclosure requirements (Rule 15c2-12) in connection with the California Transit Finance Corporation Farebox Revenue Certificates of Participation, 2003 Series-C (Certificates). All Disclosure requirements can be found in the Official Statement, the District's Comprehensive Annual Financial Report (CAFR) and the District's Adopted Budget.

	2004 Official Statement	FY 2009 CAFR Page No.	FY 2009 Adopted Budget
1. Management Discussion and Analysis, Audited Financial Statements and Statistical Information		3-74	
2. Tabular or numerical information of the types contained in the Official Statement relating to the COPs under the following subscriptions:			
Installment Payments	8		
Net Installment Payments and Anticipated Farebox Revenues	9		
Ridership and Farebox Revenues		69,70,72,73	
Historical Operating Results		14,60,61	
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LTF Revenue Funding Trends		42,69	
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Federal Grant Moneys Available to the District		41,42,69	
Adopted Operating Budgets			44,50

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**Pledged Revenue Coverage
Last Eight Fiscal Years**

Fiscal Year	Fare Revenue	Non-Fare Revenues	Total Revenue	Less Operating Expense	Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
2002	\$ 21,848,823	\$ 68,758,093	\$ 90,606,916	\$ 91,507,201	\$ (900,285)	\$ 2,700,000	\$ 631,801	(0.27)
2003	21,744,856	71,329,015	93,073,871	100,471,586	(7,397,715)	2,700,000	459,450	(2.34)
2004	22,003,511	87,231,883	109,235,394	115,378,743	(6,143,349)	5,400,000	609,956	(1.02)
2005	21,101,127	101,993,546	123,094,673	122,314,384	780,289	1,370,000	700,524	0.38
2006	25,071,791	104,658,444	129,730,235	133,217,834	(3,487,599)	9,400,000	699,146	(0.35)
2007	27,101,261	118,470,621	145,571,882	134,356,800	11,215,082	1,425,000	640,008	5.43
2008	29,865,810	115,572,834	145,438,644	149,029,101	(3,590,457)	1,470,000	611,508	(1.72)
2009	32,571,459	108,754,008	141,325,467	139,829,027	1,496,440	1,530,000	549,033	0.72

Notes: Details regarding the District's debt can be found in the notes to the financial statements. Operating expenses do not include depreciation and amortization and capital funded expenses. Capital revenue has been excluded.

Debt-service is funded via the District's capital program.

SACRAMENTO REGIONAL TRANSIT DISTRICT STATISTICAL INFORMATION (UNAUDITED)

Demographic and Economic Indicators Last Ten Fiscal Years

	Population ^{1,2}		Personal Income ^{1,2} (In Thousands)		Per Capital Personal ¹ Income		Unemployment Rate ³	
	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region
2000	1,230,247	1,947,957	\$35,016,668	\$57,329,430	\$28,463	\$29,431	4.3%	4.6%
2001	1,265,948	2,007,674	37,225,183	60,789,322	29,405	30,278	4.5%	4.8%
2002	1,300,112	2,067,111	38,649,539	63,113,784	29,728	30,532	5.7%	5.9%
2003	1,326,638	2,116,415	40,789,349	66,726,576	30,746	31,528	5.9%	6.1%
2004	1,346,677	2,156,883	43,462,957	71,788,558	32,274	33,283	5.6%	5.8%
2005	1,357,916	2,187,064	45,616,720	75,856,505	33,593	34,684	5.0%	5.2%
2006	1,367,737	2,215,790	48,115,289	80,851,127	35,179	36,489	4.8%	5.0%
2007	1,380,232	2,245,488	50,157,252	84,507,140	36,340	37,634	5.4%	5.6%
2008	1,418,763	2,296,824	Not available	Not available	Not available	Not available	7.2%	7.4%
2009	1,433,187	2,323,112	Not available	Not available	Not available	Not available	11.1%	11.5%

Source: Six-county region includes Sacramento, Placer, Yolo, El Dorado, Yuba and Sutter counties.

1. 2000-2007 U.S. Department of Commerce, Bureau of Economic Analysis, *CA1-3 Personal income population, per capital personal income*.
2. 2008-2009 State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2009, with 2000 Benchmark. Sacramento, California, May 2009.
3. State of California, Employment Development Department, Labor Force & Employment Data

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**Principal Employers
Current Year and Nine Years Ago**

Employer	Fiscal Year 2009			Fiscal Year 2000		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of California	73,273	1	10.6%			
Sacramento County	13,304	2	1.9%			
UC Davis Health System	8,496	3	1.2%			
Kaiser Permanente	7,979	4	1.2%	7,826	3	1.3%
Sutter Health Sacramento Sierra Region	7,314	5	1.1%	15,100	1	2.6%
Sacramento City Unified School District	6,500	6	0.9%			
Elk Grove Unified School District	6,391	7	0.9%			
Intel Corporation	6,000	8	0.9%	5,000	10	0.9%
Mercy/Catholic Healthcare West	5,922	9	0.9%	6,000	5	1.0%
San Juan Unified School District	5,190	10	0.8%			
Oracle Corporation				8,500	2	1.5%
Raley's Inc.				6,430	4	1.1%
Hewlett-Packard				5,800	6	1.0%
Pacific Bell				5,658	7	1.0%
Horizons West Inc.				5,400	8	0.9%
Apple Computers				5,000	9	0.9%
Total	140,369		20.3%	70,714		12.1%

Sources: Fiscal Year 2009, Sacramento Business Journal
Fiscal Year 2000, Sacramento Area Commerce and Trade Organization

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**District Profile
As of June 30, 2009**

DATE THE AUTHORITY BEGAN OPERATIONS	April 1, 1973
FORM OF GOVERNANCE	Board of Directors, with General Manager
METROPOLITAN POPULATION	1.4 million
TOTAL EMPLOYEES	1,087
SERVICE AREA	All of Sacramento County, with services to Citrus Heights, Carmichael, Fair Oaks, Elk Grove, Folsom and Rancho Cordova
AREA OF AUTHORITY (IN SQUARE MILES)	Approximately 418 Square Miles
POPULATION OF SERVICE AREA	Approximately 1.4 million
LOCAL FINANCIAL SUPPORT	Local Transportation Funds Measure A Sales Tax Revenue
NUMBER OF ROUTES	94
NUMBER OF RAIL LINES	2
MILES OF RAIL	36.89
WEEKDAY BUS REVENUE SERVICE MILES	24,296
WEEKDAY RAIL REVENUE SERVICE MILES	13,544
AVERAGE WEEKDAY BUS AND RAIL RIDERS	120,270
NUMBER OF VEHICLES IN SERVICE	212 Compressed Natural Gas (CNG) Buses 76 Rail Vehicles 4 Replica Streetcars 28 Shuttle Vans
PARATRANSIT	102 Paratransit Vehicles
PARK AND RIDE LOTS	19
BUS AND LIGHT RAIL TRANSFER STATIONS	21
BUS STOPS	3,500
RAIL STATIONS	48

SACRAMENTO REGIONAL TRANSIT DISTRICT STATISTICAL INFORMATION (UNAUDITED)

TEN YEAR FUNDING HISTORY

The following table shows available funding that the District has been awarded over the last ten years from our major federal, state, and local funding sources, followed by a brief description of each source.

	FEDERAL FUNDS						STATE FUNDS		LOCAL FUNDS			
	Federal Transit Funds					Federal Highway Discretionary Funds	ARRA	State Transportation Improvement Program	Other	Measure A	Local Transportation Fund	State Transit Assistance
	Section 5307	Section 5309 Fixed Guideway	Section 5309 Bus	Section 5309 New Start	Section 5316 Jobs Access							
2000	\$12,287,529	\$2,547,302	\$1,240,625	\$24,812,500	\$661,372	\$ —	—	\$ 13,100,000	\$ 5,245,026	\$ 24,557,504	\$ 30,349,351	\$ 3,019,157
2001	12,944,353	2,880,051	990,315	34,870,640	632,944	20,000,000	—	—	—	29,670,676	33,053,521	2,436,862
2002	13,931,478	3,239,800	990,029	324,724	970,342	18,600,000	—	34,432,135	7,900,000	32,949,451	33,571,008	2,700,000
2003	14,349,591	3,410,682	1,229,598	—	1,241,009	3,397,600	—	—	3,436,400	33,058,743	31,362,453	2,664,281
2004	13,875,713	3,116,717	491,130	—	736,770	3,173,607	—	—	—	33,020,730	33,444,322	2,431,270
2005	13,650,000	2,978,598	485,888	—	1,082,863	8,000,000	—	—	—	33,946,336	35,243,504	2,679,648
2006	14,840,853	3,452,070	870,000	—	430,000	3,602,000	—	44,368,000	—	41,846,466	37,861,087	5,818,675
2007	14,250,000	4,217,137	401,280	—	425,047	1,363,000	—	—	70,000	43,775,228	39,400,100	15,758,692
2008	17,177,791	4,562,242	434,720	4,410,000	200,000	7,100,000	—	10,125,000	19,512,000	47,605,525	32,459,480	8,541,278
2009	17,981,339	4,797,633	451,440	6,930,000	483,148	1,363,000	(1)16,240,000	—	1,558,699	500,000	33,056,759	4,908,090

Federal Funds

Section 5307 Funds: Funds distributed by formula to large and small urban areas for a variety of transit planning, capital and preventive maintenance needs.

Section 5309 Fixed Guideway Funds: Funds distributed by formula to urban rail transit operators for repair and rehabilitation of commuter and light rail systems.

Section 5309 Bus Funds: Funds for bus purchases and bus support facility projects. These funds are specifically earmarked by Congress each year.

Section 5309 New Starts Funds: Funds for fixed guideway (i.e. light rail, commuter rail, etc) projects. New Start projects are recommended by the Federal Transit Administration and based on rigorous criteria and selected for funding by Congress.

Section 5316 Jobs Access & Reverse Commute: Funds for operating new service that provides increased access to job opportunities, either through new service routes or expansions of existing routes into non-traditional service hours.

Federal Highway Discretionary Funds: Funds distributed for a variety of transportation planning, construction, and equipment acquisition needs. Projects are approved for funding by local agencies and forwarded to appropriate state and federal agencies for funding authorization.

ARRA Funds: On February 17, 2009 the President signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). The Act provides direct funding from the federal government for infrastructure, fiscal stabilization and other programs over the next several years. ARRA is designed to create or save jobs, and invest in science, health care, transportation, education, and energy efficiency.

(1) Comprised of section 5309 and 5307 preventative maintenance funds in the amount of \$946,296 and \$15,293,704 respectively.

State Funds

State Transportation Improvement Program: Funds distributed by the State for projects, including transit construction projects, that relieve traffic congestion on state and local roads and highways.

Proposition 116 Rail Bond Funds: Funds approved by California voters in 1990 (*Clean Air Transportation Improvement Act*) for passenger rail purposes. The District received a total of \$100 million for light rail improvement and expansion projects.

Other: These funds include Transit Capital Improvement funds for projects approved for funding in FY 1997 and earlier (the last year that TCI funds were made available by the State), and for Traffic Congestion Relief Program funds approved in the FY 2000 State Budget for specific District capital projects.

Local Funds

Measure A is a ½ cent sales tax ordinance that supports road and public transportation improvements in Sacramento County. Passed by voters in 1998, it expired in April 2009. The District received approximately 1/3 of the tax (1/6 cent). In November 2004, voters approved an extension of the Measure A ordinance until 2039 with transit receiving 38.25% of the ½-cent tax.

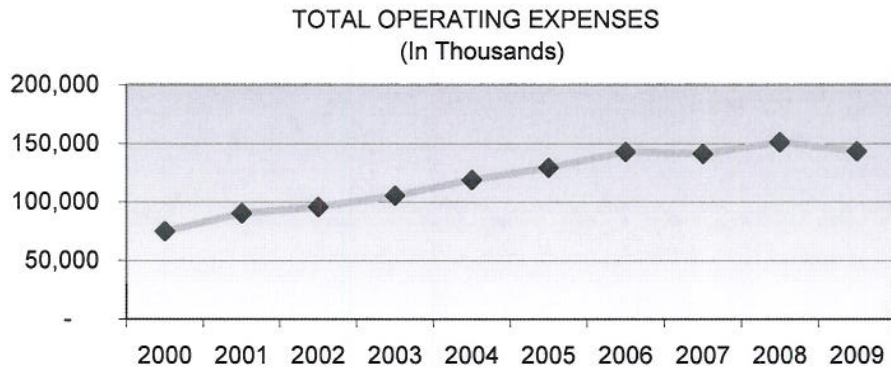
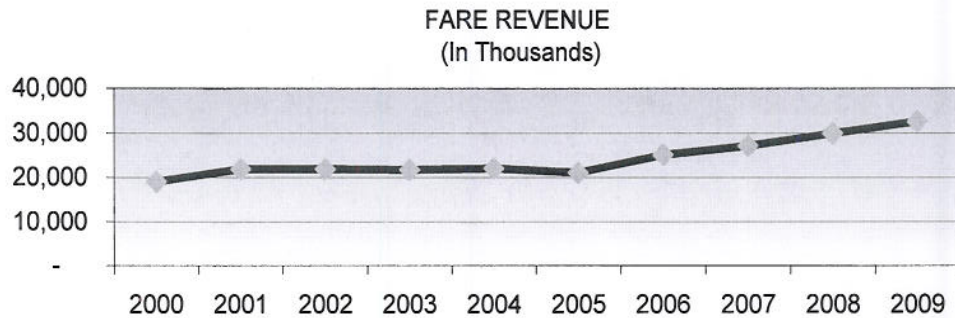
Local Transportation Fund: Funds generated by the state sales tax, and used for transit operating support purposes. The Transportation Development Act (TDA) allocates a portion of the state sales tax for transportation purposes.

State Transit Assistance Funds: Funds generated by the sales tax on gasoline and diesel fuel sales. These funds are dispersed to transit agencies for a variety of transit capital and operating support needs.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**FARE RECOVERY
LAST TEN FISCAL YEARS
(in Thousands)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Fare Revenue	\$19,070	\$21,846	\$21,848	\$21,745	\$22,004	\$21,101	\$25,072	\$27,101	\$29,866	\$32,571
Local Fund Supplementation	--	1,129	2,500	5,074	8,252	11,771	11,297	8,887	8,659	3,963
Total Operating Expenses	74,722	90,099	95,484	105,173	118,650	128,909	142,625	141,129	151,079	143,271
Fare Recovery Ratio	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%



Source: Comprehensive Annual Financial Report

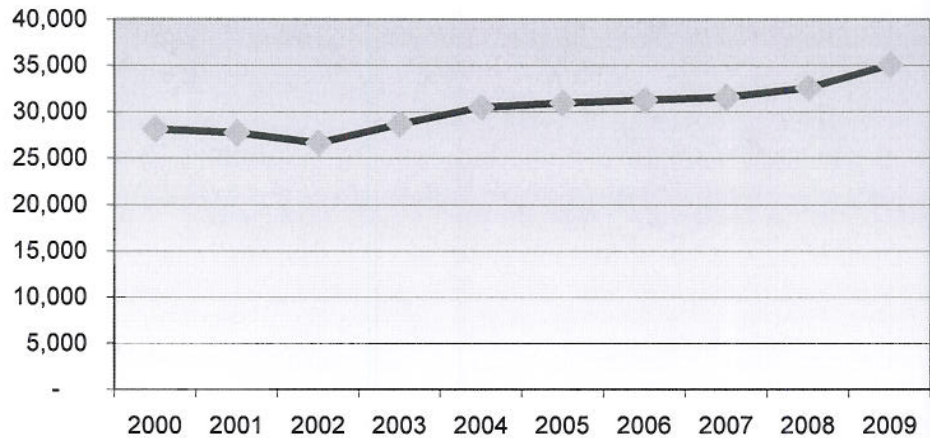
(1) Refer to Note 9 in the Financial Section that explains Local Fund Supplementation.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**RIDERSHIP
LAST TEN FISCAL YEARS**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Ridership (in 000's)	28,120	27,734	26,610	28,616	30,469	30,938	31,230	31,567	32,559	35,050
% change	-1.65%	-1.37%	-4.05%	7.54%	6.48%	1.54%	0.94%	1.08%	3.14%	7.65%

**RIDERSHIP
(In Thousands)**



Source: District Planning Department
NTD Statistics

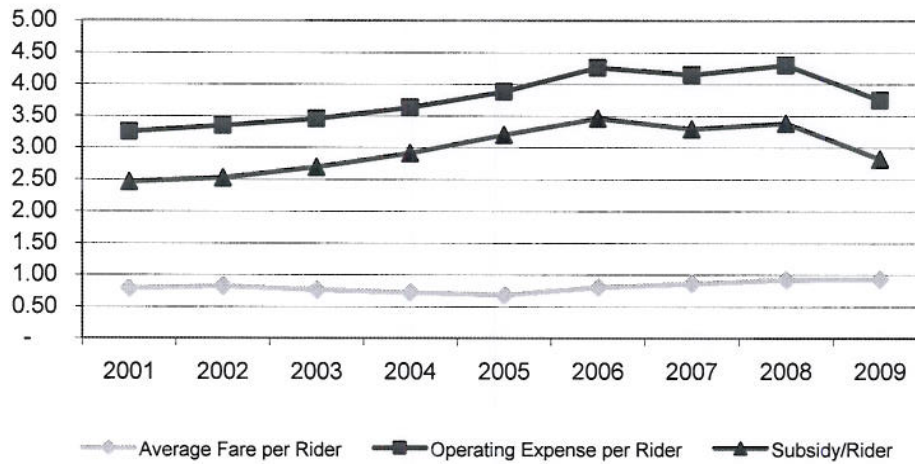
SACRAMENTO REGIONAL TRANSIT DISTRICT STATISTICAL INFORMATION (UNAUDITED)

OPERATING SUBSIDY LAST TEN FISCAL YEARS

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Average Fare per Rider	\$0.70	\$0.79	\$0.79	\$0.80	\$0.74	\$0.68	\$0.70	\$0.83	\$0.92	\$0.93
Operating Expense per Rider ¹	2.72	3.27	3.20	3.62	3.73	3.87	4.07	4.07	4.30	3.75
Subsidy/Rider	\$2.03	\$2.47	\$2.42	\$2.82	\$2.99	\$3.19	\$3.30	\$3.25	\$3.38	\$2.82

¹ Operating expense per rider excludes Paratransit and depreciation costs.

OPERATING EXPENSE & SUBSIDY PER RIDER



Source: Comprehensive Annual Financial Report
District Planning Department
NTD Statistics

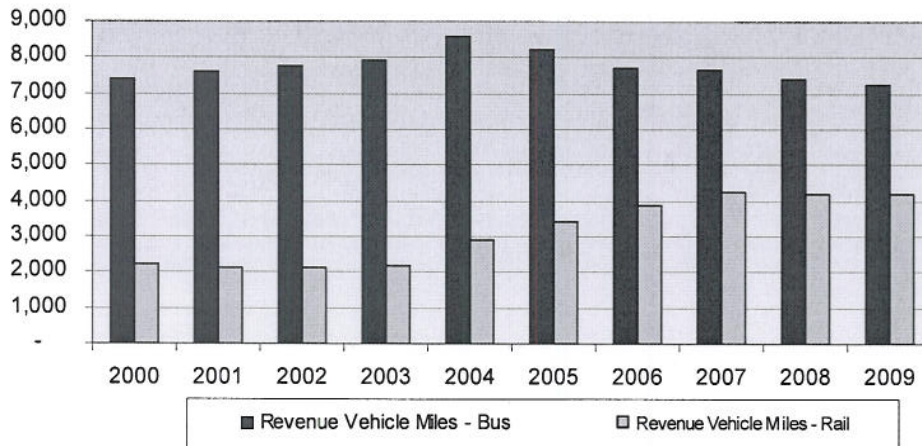
**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**SERVICE PERFORMANCE DATA (In thousands)*
LAST TEN FISCAL YEARS**

SERVICE PROVIDED

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
BUS										
Revenue Vehicle Miles*	7,914	7,590	7,738	7,930	8,590	8,236	7,688	7,638	7,431	7,244
Revenue Vehicle Hours*	560.4	584.8	600.9	614.7	696.7	749.0	710.9	702.8	677.7	652.0
Number of Vehicles *	223	225	229	247	275	275	275	269	271	271
RAIL										
Revenue Vehicle Miles*	2,222	2,144	2,128	2,170	2,879	3,429	3,888	4,128	4,155	4,213
Revenue Vehicle Hours*	105.6	106.9	103.7	103.1	48.0	187.6	208.9	209.7	215.5	213.1
Train Hours*	48.0	46.6	46.6	46.5	69.0	83.4	82	81.6	81.7	81.8
Number of Vehicles	36	36	36	36	76	76	76	76	76	76

SERVICE PROVIDED



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
BUS										
Passengers*	19,493	19,115	18,069	19,756	19,447	18,929	16,778	16,807	16,608	17,735
Passenger Miles*	79,145	79,275	72,297	75,325	67,701	61,747	54,559	54,551	53,904	59,001
RAIL										
Passengers*	8,611	8,618	8,655	8,925	10,590	12,737	14,720	14,537	15,952	17,315
Passenger Miles*	45,867	44,456	47,334	47,419	56,948	60,682	78,181	79,299	85,116	93,087
TOTAL										
Passengers*	28,120	27,734	26,610	28,616	30,469	30,938	31,230	31,567	32,559	35,050
Passenger Miles*	125,012	123,731	119,008	122,690	124,649	122,430	132,740	133,311	139,021	152,088
FLEET										
Bus	223	225	229	247	279	275	275	269	271	271
RAIL	36	36	36	36	76	76	76	76	76	76
TOTAL EMPLOYEES	737	868	952	1,161	1,154	1,164	1,198	1,162	1,125	1,087

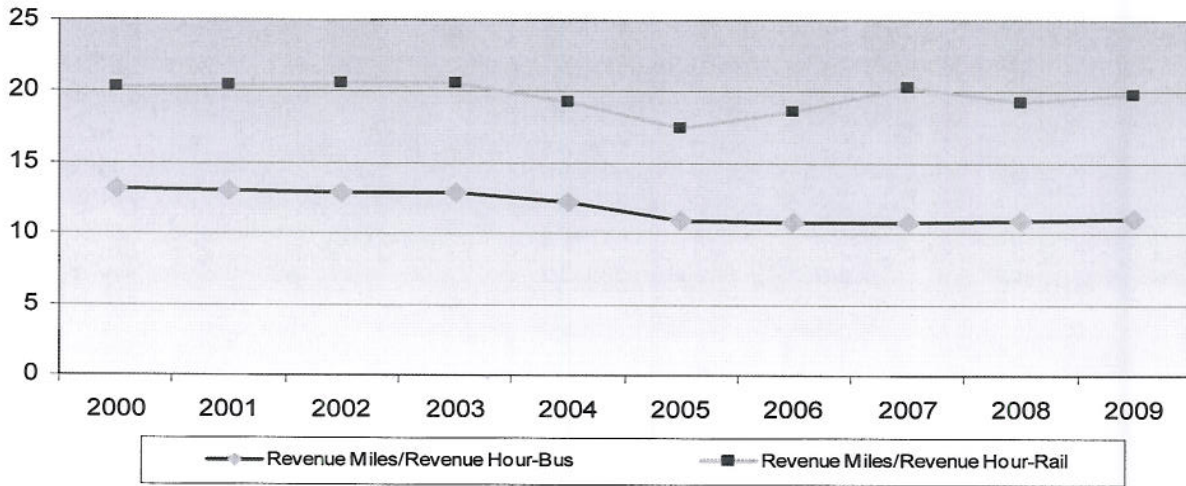
**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

Source: District Planning Department; NTD Statistics

**SERVICE PERFORMANCE DATA (Continued)
LAST TEN FISCAL YEARS**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenue Miles/Revenue Hours - Bus	13	13	13	13	12	11	11	11	11	11
Revenue Miles/Revenue Hour - Rail	20	20	21	21	19	17	19	20	19	20

SERVICE PERFORMANCE DATA



Source: District Planning Department ; NTD Statistics

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**FARES
(As of June 30, 2009)**

<u>FARES</u>	<u>COST</u>
Basic Fare	\$ 2.25
Discount Fare	\$ 1.10
Central City Fare	\$ 1.10
Shuttle Service Fare	\$ 1.10
 <u>TICKET AND PASS BOOKLETS</u>	
Fare Ticket Booklets	
10 Basic Fare Tickets	\$ 22.50
10 Discount Fare Tickets	\$ 11.00
Daily Pass Booklets	
10 Basic Daily Passes	\$ 60.00
10 Discount Daily Passes	\$ 30.00
 <u>PASSES AND STICKERS</u>	
Basic Daily Pass	\$ 6.00
Discount Daily Pass	\$ 3.00
Basic Monthly Pass	\$ 100.00
Basic Semi-Monthly Pass	\$ 50.00
Senior Disabled Sticker	\$ 50.00
Senior Disabled Semi-Monthly Sticker	\$ 25.00
Student Monthly Sticker	\$ 50.00
Student Semi-Monthly Sticker	\$ 25.00
Yolo Express Sticker	\$ 25.00

SACRAMENTO REGIONAL TRANSIT DISTRICT STATISTICAL INFORMATION (UNAUDITED)

PERFORMANCE MEASURES

Performance Measures in Sacramento's Peer Transit Agencies						
City, State	2000 Urban Area Population	2007 Statistics				
		Cost per Passenger	Cost per Revenue Mile	Cost per Revenue Hour	Subsidy per Passenger	Farebox Recovery Ratio
	(UZA Rank)	(Peer Rank)	(Peer Rank)	(Peer Rank)	(Peer Rank)	(Peer Rank)
BUS PEERS						
Sacramento, CA	1,393,498 (29)	\$4.71 (3)	\$10.77 (3)	\$ 117.06 (3)	\$ 3.86 (3)	18.0% (6)
Buffalo, NY	976,703 (39)	4.70 (4)	9.32 (4)	112.63 (4)	3.55 (5)	24.3% (1)
Charlotte, NC	758,927 (48)	3.78 (7)	6.79 (8)	96.70 (7)	3.17 (7)	16.1% (7)
Columbus, OH	1,133,193 (37)	4.25 (6)	8.62 (6)	108.85 (5)	3.39 (6)	20.2% (4)
Long Beach, CA	11,789,487 (2)	2.27 (8)	8.75 (5)	89.26 (8)	1.74 (8)	23.3% (2)
San Carlos, CA	3,228,605 (12)	6.17 (2)	12.59 (1)	139.04 (2)	4.99 (2)	19.0% (5)
San Jose, CA	1,538,312 (25)	6.26 (1)	12.48 (2)	156.84 (1)	5.43 (1)	13.2% (8)
Tacoma, WA	2,712,205 (14)	4.59 (5)	8.43 (7)	107.01 (6)	3.62 (4)	21.1% (3)
Average for Bus Peers	3,162,490	4.57	9.57	115.76	3.70	19.4%
RAIL PEERS						
Sacramento, CA	1,393,498 (29)	3.27 (3)	11.49 (3)	226.12 (3)	2.42 (3)	25.9% (5)
Dallas, TX	4,145,659 (6)	4.46 (2)	15.28 (2)	327.98 (1)	3.94 (2)	11.6% (7)
Denver, CO	1,984,889 (21)	2.17 (5)	4.64 (7)	86.83 (7)	1.21 (5)	44.4% (2)
Portland, OR	1,583,138 (24)	2.04 (4)	11.22 (4)	171.70 (4)	1.23 (4)	39.8% (3)
Salt Lake City, UT	887,650 (43)	1.61 (6)	9.29 (5)	107.63 (6)	1.16 (6)	28.2% (4)
San Diego, CA	2,674,436 (15)	1.59 (7)	7.05 (6)	129.39 (5)	0.81 (7)	49.0% (1)
San Jose, CA	1,538,312 (25)	5.44 (1)	16.66 (1)	276.32 (2)	4.60 (1)	15.5% (6)
Average for Rail Peers	2,135,681	2.89	10.69	183.31	2.16	30.6%

Source: National Transit Database, 2007 Transit Profiles – All Agencies

Performance Measures Analysis

In 2000, the Sacramento urban area, ranked 29th in the US based on population. Table 1 compares the District's 2007 performance to 7 other bus peer transit properties and 6 other rail peer transit properties. This table indicates the following:

Bus

The District ranks 3rd in Cost per Passenger, Cost per Revenue Hour, and Subsidy per Passenger among its Bus peer transit agencies. The District ranks 6th in Farebox Recovery Ratio among its Bus peer transit agencies.

Rail

The District ranks 3rd in Cost per Passenger, Cost per Revenue Mile, Cost per Revenue Hours and Subsidy per Passenger among its Rail peer transit agencies.

The District ranks 5th in Farebox Recovery Ratio among its Rail peer transit agencies..

**SACRAMENTO REGIONAL
TRANSIT DISTRICT**

Single Audit Reports
(OMB Circular A-133)

For the Fiscal Year Ended
June 30, 2009

SACRAMENTO REGIONAL TRANSIT DISTRICT

Single Audit Reports
(OMB Circular A-133)
For the Fiscal Year Ended June 30 2009

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Independent Auditor's Report on Compliance with Requirements Applicable to Its Major Program, Internal Control Over Compliance and the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133	5-6
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SACRAMENTO REGIONAL TRANSIT DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Name	Federal CFDA No.	Federal Agency Grant Award Number	Expenditures
U.S. Department of Transportation			
<u>Direct Federal Programs</u>			
Federal Transit Administration -			
Federal Transit Cluster			
Federal Transit - Capital Investment Grants	20.500	CA-05-0239-00	\$ 4,797,663
Federal Transit - Capital Investment Grants	ARRA-20.500	CA-56-0008-00	946,296
Federal Transit - Capital Investment Grants	20.500	CA-03-0630-02	238,725
Federal Transit - Capital Investment Grants	20.500	CA-04-0013-01	193,553
Federal Transit - Capital Investment Grants	20.500	CA-03-0689-01	61,344
Federal Transit - Capital Investment Grants	20.500	CA-03-0584-00	59,779
Federal Transit - Capital Investment Grants	20.500	CA-03-0713-01	7,195
Subtotal Federal Transit - Capital Investment Grants			6,304,555
Federal Transit - Formula Grants	20.507	CA-90-Y742-00	16,956,507
Federal Transit - Formula Grants	ARRA-20.507	CA-96-X060-00	7,053,704
Federal Transit - Formula Grants	20.507	CA-90-Y356-03	4,559,079
Federal Transit - Formula Grants	20.507	CA-90-Y471-01	3,221,288
Federal Transit - Formula Grants	20.507	CA-90-Y633-00	547,896
Federal Transit - Formula Grants	20.507	CA-90-X942-00	427,802
Federal Transit - Formula Grants	20.507	CA-95-X029-01	35,835
Federal Transit - Formula Grants	20.507	CA-90-Y161-01	24,748
Federal Transit - Formula Grants	20.507	CA-90-Y289-01	10,460
Federal Transit - Formula Grants	20.507	CA-90-X975-00	896
Subtotal Federal Transit Formula Grants			32,838,215
Total Federal Transit Cluster			39,142,770
Job Access - Reverse Commute Program	20.516	CA-37-X107-00	483,144
Job Access - Reverse Commute Program	20.516	CA-37-X065-00	169,527
			652,671
			\$ 39,795,441

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

SACRAMENTO REGIONAL TRANSIT DISTRICT

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2009

NOTE A - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sacramento Regional Transit District (District) and is prepared on the accrual basis of accounting. Expenses are recorded at the time liabilities are incurred. The information in this schedule is presented in accordance with the requirements of U.S. Office and Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers included in the accompanying schedule of expenditures of federal awards were determined based on program name, review of grant contract information and the Catalog of Federal Domestic Assistance.

NOTE C - PASS-THROUGH AWARDS

For the fiscal year ended June 30, 2009, the District passed-through the following amounts of federal funds to subrecipients:

Federal Transit Administration:

Federal Transit Cluster:

Federal Transit - Capital Investment Grants:

City of Galt \$ 92,880

Federal Transit - Formula Grants:

El Dorado Transit 10,232

City of Folsom 630,726

Subtotal Federal Transit - Formula Grants 640,958

Total Federal Transit Cluster 733,838

Job Access - Reverse Commute Program:

Yuba-Sutter Transit Authority 42,924

Paratransit, Inc. 96,216

County of Sacramento 30,388

Subtotal Job Access - Reverse Commute Program 169,528

Total Passed-Through to Subrecipients \$ 903,366



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SAN MARCOS

SAN DIEGO

Members of the Board of Directors
Sacramento Regional Transit District
 Sacramento, California

Members of the Board of Directors
Sacramento Area Council of Governments
 Sacramento, California

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

We have audited the financial statements of the business-type activities and the pension trust funds of the Sacramento Regional Transit District (the District) as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2009. 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. The financial statements of the District as of June 30, 2008 were audited by other auditor's whose report dated October 14, 2008 expressed an unqualified opinion.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that TDA funds allocated to and received by the District were expended in conformance with applicable statutes, rules and regulations of the TDA and the allocation instructions and resolutions of the Sacramento Area Council of Governments as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations. 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*.

This report is intended solely for the information and use of the Finance and Administration Committee, District management, the Board of Directors, the Board of Directors of the Sacramento Area Council of Governments and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maclean Mini & O'Connell LLP

Certified Public Accountants
Sacramento, California
December 2, 2009



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Sacramento, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO ITS MAJOR PROGRAM, INTERNAL CONTROL
OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the Sacramento Regional Transit District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2009. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District'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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities and the pension trust funds of the District, as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated December 2, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Finance and Administration Committee, District management, the Board of Directors, the Board of Directors of the Sacramento Area Council of Governments and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Macinn Sini & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 2, 2009

SACRAMENTO REGIONAL TRANSIT DISTRICT

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
▪ Material weaknesses identified?	No
▪ Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
▪ Material weaknesses identified?	No
▪ Significant deficiencies identified that are Not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	
<u>Program Title</u>	<u>CFDA Numbers</u>
Federal Transportation Administration - Federal Transit Cluster	20.500 and 20.507
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 1,193,863
Auditee qualified as low-risk auditee?	Yes

SACRAMENTO REGIONAL TRANSIT DISTRICT

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

SACRAMENTO REGIONAL TRANSIT DISTRICT

Report to the Board of Directors

For the Fiscal Year Ended June 30, 2009

SACRAMENTO REGIONAL TRANSIT DISTRICT

**Report to the Board of Directors
For the Fiscal Year Ended June 30, 2009**

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SAN MARCOS

SAN DIEGO

To the Board of Directors
Sacramento Regional Transit District
Sacramento, California

We have audited the financial statements of the business-type activities and the pension trust funds of the Sacramento Regional Transit District (District) for the fiscal year ended June 30, 2009, and have issued our report thereon dated December 2, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 17, 2009. Professional standards also require that we communicate to you information related to our audit as discussed in the Required Communications section of this report.

In planning and performing our audit of the financial statements of the District for the fiscal year ended June 30, 2009, we considered the District's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness the District's internal control.

During our audit, we became aware of certain matters that represent an opportunity for strengthening internal controls and operating efficiency, which are included in the Current Year Findings and Recommendations section of this report. (We previously reported on the District's internal control in our report dated December 2, 2009.) This letter does not affect our report dated December 2, 2009, on the financial statements of the District.

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

We would like to thank the District's management and staff for the courtesy and cooperation extended to us during the course of our engagement. In addition, we would be pleased to discuss them in further detail at your convenience to perform additional study of these matters, or to assist you in implementing these recommendations.

Macias Gini & O'Connell LLP

Sacramento, California
December 2, 2009

SACRAMENTO REGIONAL TRANSIT DISTRICT

Report to the Board of Directors Required Communications For the Fiscal Year Ended June 30, 2009

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Sacramento Regional Transit District (District) are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2009. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimate of the depreciation and amortization of capital assets, accrued compensated absences, reserve for claims liability and other post-employment benefits (OPEB) costs.

Management's estimate of depreciation and amortization is based on the estimated useful lives of the related assets. Management's estimate of accrued compensated absences is based on the accrued vacation hours and hourly rate of each employee at year-end. Management's estimate of the reserve for claims is based upon historical performance and the future estimated costs associated with assessments and claims filed against the District. The estimate of annual OPEB costs are based on the estimated costs of providing benefits to the District's current and retired employees and spouses using actuarial methods and assumptions prescribed by GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

SACRAMENTO REGIONAL TRANSIT DISTRICT

Report to the Board of Directors Required Communications (Continued) For the Fiscal Year Ended June 30, 2009

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 2, 2009.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

SACRAMENTO REGIONAL TRANSIT DISTRICT

Report to the Board of Directors Current Year Findings and Recommendations For the Fiscal Year Ended June 30, 2009

I. CONSTRUCTION IN PROGRESS

We noted the District currently does not have a formal review and approval process for the determination of the classification of capital project costs at year-end. As part of the year-end closing process, Finance Department staff collaborates with various project managers to determine the proper classification of capital project costs included in construction-in-progress (CIP). Project costs are evaluated to determine amounts related to completed portions of projects requiring reclassification from CIP to land and land improvements or depreciable capital assets in accordance with generally accepted accounting principles. The process does not provide for documentation of the project manager's input and concurrence of the assets during the capitalization and asset classification process.

Recommendation:

To improve this process, we recommend the District establish year-end close processes and procedures requiring project managers to evaluate project costs and to complete and approve standardized documentation which details project costs by asset classification.

Management Response:

Management concurs with the recommendation. The District will modify its current year-end process to include a sign off from project managers approving the appropriate costs requiring capitalization, the proper asset classification, and provide a brief explanation if their determination of the amount and classification differs from that proposed by finance staff. This signed document will become part of the process documentation when reclassifying assets from CIP to land and land improvements or depreciable capital assets in accordance with generally accepted accounting principles.

II. STRATEGIC PLAN

Agency-level computer controls require that IT strategic plans be developed that are closely aligned with the business objectives of the agency. The District had developed a Strategic Information Technology Plan (Plan) in June 2004 with three-year goals and one-year objectives. The Plan, however, has not been updated to account for objectives that have been accomplished or changes to 3-year strategic goals. IT strategic plans should be periodically updated to account for changes in the economic and IT environment and ensure that the Plan continues to be aligned with the goals and objectives of the District as a whole.

SACRAMENTO REGIONAL TRANSIT DISTRICT

Report to the Board of Directors Current Year Findings and Recommendations (Continued) For the Fiscal Year Ended June 30, 2009

II. STRATEGIC PLAN (Continued)

Recommendation:

The District IT Director, working in conjunction with the Executive Committee, should work to update and implement a revised IT Strategic Plan. This plan should continue to:

- Identify and prioritize IT initiatives.
- Be aligned with the goals and objectives of the District as a whole.
- Be periodically reviewed by the Executive Committee and periodically updated for continued relevance to strategic initiatives.
- Be periodically reported to executive management on progress made towards initiatives.

Management Response:

Management concurs with the recommendation. Although the District has made many technological advances as described in the GFOA awarded budget document, the District will begin a process of updating the IT Strategic Plan and ensure that the plan is periodically reviewed and the progress of the goals are reported to executive management during the District's quarterly executive and senior management meetings.

III. DISASTER RECOVERY PLAN

Computer operations controls require that an agency has developed and documented a disaster recovery/business continuity plan to provide contingency procedures for unforeseeable events and assure that system and financial data can be recovered in a timely manner. While the District has developed system and data recovery procedures for certain types of events, a comprehensive and formal written disaster recovery plan has not yet been developed. Additionally, the planned recovery site is within two miles of the primary data center and may be subject to the same risk of flooding or other natural disaster. This could affect accessibility to the site and data if a significant event were to occur. There are also no redundant power generation capabilities at either site. Without a full disaster recovery plan that has been fully tested, the District cannot be fully assured that system and application data can be restored in a timely manner for unforeseen events.

Recommendation

The District should plan and budget for the development of a written and comprehensive disaster recovery/ business continuity plan to provide contingency procedures for unforeseeable events such as natural disasters. The plan development should also include an evaluation of the operational capabilities of the planned recovery site. Once implemented, the plan should be periodically tested to ensure that financial systems and data can be recovered. Findings from the testing should be incorporated into updates to the plan.

SACRAMENTO REGIONAL TRANSIT DISTRICT

**Report to the Board of Directors
Current Year Findings and Recommendations (Continued)
For the Fiscal Year Ended June 30, 2009**

III. DISASTER RECOVERY PLAN (Continued)

Management Response:

The District concurs with the recommendation. The District will begin the process of developing, documenting, and periodically testing a disaster recovery/business continuity plan to assure that system and financial data can be recovered in a timely manner.

IV. PASSWORDS

General computer controls related to access to programs and data requires that appropriate password requirements be established and enforced within an agency. While some network and application password configuration requirements have been established by the District, they have not been formally documented within a District policy or standards document. Without being established as a formal policy or standard, the requirements may be subject to change without formal review. Additionally, the current network and financial application configurations do not enforce best practices for passwords as shown below:

	Network	Financial Application	Best Practices
Password Expiration	180 days	none	30-90 days
Password Length	6 characters	6 characters	7-14 characters
Password History Remembered	unlimited	none	12-24 passwords remembered
Password Complexity Required (strong passwords)	Strong passwords required	none	Yes – require alpha, numeric, or special characters
Auto Lockout Threshold	3 failed attempts	none	3-5 invalid logon attempts will lock account

Recommendation:

The District Executive Committee, working in conjunction with the IT Director, should establish policy or standards for password configuration requirements for use in the network as well as the financial application. The password configuration requirements should be at least as stringent as industry best practices

Management Response:

Management agrees with the recommendations. It is important to have strong security and password controls. Beginning January 1, 2010, the District will implement the recommendations noted above.

SACRAMENTO REGIONAL TRANSIT DISTRICT

**Report to the Board of Directors
Current Year Findings and Recommendations (Continued)
For the Fiscal Year Ended June 30, 2009**

V. IT RISK ASSESSMENTS

General computer controls over the access to programs and data require that mechanisms or procedures be in place to identify and react to risks arising from internal and external sources. A comprehensive means to identify IT risks is through the periodic performance of IT risk assessments. The District, while having had an overall IT assessment performed in 2005, has not completed a formal IT risk assessment to help identify the risks to the delivery of IT services and the accuracy and integrity of the District's financial and personnel data.

Recommendation:

The District IT Director should have an IT risk assessment performed on his department. The risk assessment should focus on identifying all of the possible risks to the District's IT department, the delivery of IT services and the accuracy and integrity of the District's financial and personnel data. The risk assessment should quantify the likelihood of an event, the impact of the event and the mitigating controls that would address the possible risks.

Management Response:

Management concurs with the recommendation and agrees that a systems security risk assessment would add value to the organization. This will be brought forward to the District's Capital Projects Committee to be added as a future project as funding permits.

VI. USER ACCOUNT ACCESS REVIEW

General computer controls over access to programs and data require that application security controls restrict access to District IT resources and data. While data owners have been assigned and authorization roles have been developed within the financial application, there are no policy and procedures to ensure that user accounts are periodically reviewed to ensure they are up-to-date and that testing is performed to ensure that the system continues to enforce a proper segregation of duties between the defined authorization roles.

Recommendation:

The District IT Director, working in conjunction with the Finance Director, should define and document the roles within the financial application that are used to enforce a segregation of duties. These roles should be periodically tested to ensure that they continue to enforce a segregation of duties and users within each role should be periodically reviewed to ensure that they are up-to-date.

SACRAMENTO REGIONAL TRANSIT DISTRICT

**Report to the Board of Directors
Current Year Findings and Recommendations (Continued)
For the Fiscal Year Ended June 30, 2009**

VI. USER ACCOUNT ACCESS REVIEW (Continued)

Management Response:

Management agrees with the recommendation. The District will review the roles assigned to users in the financial application to ensure proper segregations of duties exist. Periodically, the IT Director will provide a change log showing any changes made to the existing roles and/or responsibilities.