Revised Page 1 Only Recommendation Action

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
17	12/12/11	Open	Action	11/11/11

Subject: Review the FY2011 Comprehensive Annual Financial Report (CAFR), Reports on Compliance Controls and the Report to the Board of Directors

ISSUE

Receive and File the Comprehensive Annual Financial Report (CAFR), Reports on Compliance and Internal Controls as required by OMB Circular A-133 and the Transportation Development Act, and the Report to the Board of Directors for the Fiscal Year ended June 30, 2011

RECOMMENDED ACTION

Motion: Receive and File the FY20~~10~~*11* Comprehensive Annual Financial Report (CAFR), Reports on Compliance Control as Required by OMB A-133 and the Transportation Development Act, and the Report to the Board of Directors for Fiscal Year 2011.

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 Report to the Board of Directors 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 from its auditors, Gilbert Associates, Inc., for the fiscal year ended June 30, 2011. Moreover, no material weaknesses involving the District's financial reporting or internal control processes were identified, however two conditions were brought forward in the current year's Single Audit Report. The first condition addresses a finding related to the processing of payroll for Bus and Rail employees and the second condition relates to the verification process during the procurement process (checking whether the vendor has been debarred or suspended). An update to the prior Year's Management Letter Comments can be found within the Report to the Board of Directors (see Attachment 5).

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 $5.6 million as of June 30, 2011. This figure is net of

Approved: | Presented:

Revised Final 12/8/11
General Manager/CEO | Director Finance/Treasury

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
17	12/12/11	Open	Action	11/11/11

Subject:	Review the FY2011 Comprehensive Annual Financial Report (CAFR), Reports on Compliance Controls and the Report to the Board of Directors

($1.9) million from operations and $7.6 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.

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, 2011, the District's operating results were as follows: $29 million in fare revenues, $152.8 million in Operating Expenses, $89.5 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 ($1.0) million, operating expenses of ($2.0) million, and non-operating revenues (expenses) of $2.6 million.

Operating Revenues

The District's FY 2011 total operating revenue and contracted services revenues totaled $33.3 million. The net unfavorable operating revenues variance of ($1.0) million was primarily due to a shortfall in expected fare revenue which may be attributed to lower than projected ridership and the continuation of high unemployment in the Sacramento Region.

Operating Expenses

Operating expenses totaled $120.6 million, an unfavorable variance of ($2.0) million from the adopted budget of $118.6 million. The net unfavorable operating expense variance can mainly be attributed to increases in professional and other services resulting from higher than anticipated demand for ADA Paratransit Services, an agreed upon settlement amount for common area maintenance charges at McClellan Business Park, and attorney fees related to the restructuring agreement for the SILO transaction with Fifth Third Bank. Additionally, in the area of spare parts and supplies, there was an unfavorable budget variance as a result of additional parts needed to repair and maintain buses, light rail vehicles, and fare vending machines.

Non-Operating Revenues (Expenses)

The net favorable non-operating revenue (expense) variance of $2.5 million can be attributed to the District receiving additional revenues related to the Federal Section 5309 funds and Section 5307 ADA funds.

Operating Results

The District concluded the year with an operating loss of ($1.9) million. This loss does not take into account the prior years operating carryover reserve. After accounting for the $1.5 million in

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
17	12/12/11	Open	Action	11/11/11

Subject:	Review the FY2011 Comprehensive Annual Financial Report (CAFR), Reports on Compliance Controls and the Report to the Board of Directors

operating carry forward reserves, the District ended the year with a loss carryover of $400 thousand, which will be factored into the mid year FY2012 budget revision.

The following documents (Attachments 1-5) are submitted to the Board for receipt and filing:

- Fiscal Year 2011 Revenue and Expense per Funding Designations – Attachment 1
- Fiscal Year 2011 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
- Report to the Board of Directors – Attachment 5

ATTACHMENT 1

Fiscal year 2011
Statement of Revenues and Expenses
Per Funding Designation

Statement of Revenues and Expenses	FY 2011 Funding Designation		
	Operations	Capital Improvement Program	Total
OPERATING REVENUES (Fares)	**$ 28,967,228**	**$ -**	**$ 28,967,228**
OPERATING EXPENSES			
Labor and Fringe Benefits	79,365,716		79,365,716
Professional and Other Services	20,458,814	260,967	20,719,781
Spare Parts and Supplies	7,915,118	608,460	8,523,578
Utilities	5,741,319		5,741,319
Casualty and Liability Costs	6,540,245		6,540,245
Depreciation and Amortization		31,238,071	31,238,071
Indirect Costs Allocated to Capital Programs	(881,316)		(881,316)
Other	1,487,931	59,423	1,547,354
Total Operating Expenses	**120,627,827**	**32,166,921**	**152,794,748**
Loss from Operations	**(91,660,599)**	**(32,166,921)**	**(123,827,520)**
NON-OPERATING REVENUES (EXPENSES)			
Operating Assistance			
State and Local	58,109,166		58,109,166
Federal	23,331,369	4,042,535	27,373,904
Investment Income	4,110,077	3,189	4,113,266
Interest Expense	(4,113,119)	(288,132)	(4,401,251)
Pass Through to Subrecipients	-	(4,042,535)	(4,042,535)
Contract Services	4,361,810		4,361,810
Other	3,926,860	19,515	3,946,375
Total Non-operating Revenues (Expense)	**89,726,163**	**(265,428)**	**89,460,735**
(Loss) Income Before Capital Contributions	**(1,934,436)**	**(32,432,349)**	**(34,366,785)**
Capital Contributions			
State and Local		36,481,569	36,481,569
Federal		3,538,233	3,538,233
Net (Loss) Income	**$ (1,934,436)**	**$ 7,587,453**	**$ 5,653,017**
Summary			
Operating Revenue	$ 28,967,228		$ 28,967,228
Non Operating Revenue	89,726,163	$ 39,754,374	129,480,537
Total Revenue	118,693,391	39,754,374	158,447,765
Operating Expense	120,627,827	32,166,921	152,794,748
Net Loss (Income)	(1,934,436)	$ 7,587,453	$ 5,653,017
Carryover Prior Fiscal Years	1,555,869		
Loss Carryforward to FY12	$ (378,567)		

Fiscal Year 2011
Statement of Revenues and Expenses
Operating Budget to Actual Expenses

Statement of Revenues and Expenses	FY 2011 Budget to Actual Expenses: Approved Budget	Adjusted Operating Results	Variance (Unfavorable)/ Favorable	Percent Variance
OPERATING REVENUES				
Fares	**$ 29,800,640**	**$ 28,967,228**	**$ (833,412)**	**-2.8%**
Contracted Services	**4,466,484**	**4,361,810**	**(104,674)**	**-2.3%**
Subtotal	**34,267,124**	**33,329,038**	**(938,086)**	**-2.7%**
OPERATING EXPENSES				
Labor and Fringe Benefits	79,203,584	79,365,716	(162,132)	-0.2%
Professional and Other Services	19,255,614	20,458,814	(1,203,200)	-6.2%
Spare Parts and Supplies	7,486,804	7,915,118	(428,314)	-5.7%
Utilities	5,637,535	5,741,319	(103,784)	-1.8%
Casualty and Liability Costs	6,420,624	6,540,245	(119,621)	-1.9%
Depreciation and Amortization	-	-	-	
Indirect Costs Allocated to Capital Programs	(1,164,046)	(881,316)	(282,730)	24.3%
Other	1,771,868	1,487,931	283,937	16.0%
Total Operating Expenses	**118,611,983**	**120,627,827**	**(2,015,844)**	**-1.7%**
(Loss) Income from Operations	**(84,344,859)**	**(87,298,789)**	**(2,953,930)**	**3.5%**
NON-OPERATING REVENUES (EXPENSES)				
Operating Assistance				
State and Local	57,357,349	58,109,166	751,817	1.3%
Federal	21,236,349	23,331,369	2,095,020	9.9%
Investment Income/Expense	300,000	(3,042)	(303,042)	-101.0%
Advertising	1,000,000	995,552	(4,448)	-0.4%
Commercial Income/Other	2,895,292	2,931,308	36,016	1.2%
Total Non-operating Revenues (Exp)	**82,788,990**	**85,364,353**	**2,575,363**	**3.1%**
BUDGETED FY10 Carryover	**1,555,869**	**-**	**1,555,869**	
Net Loss	**$ -**	**$ (1,934,436)**		

Summary

Operating Revenue	$ 34,267,124	$ 33,329,038
Non Operating Revenue	82,788,990	85,364,353
Total Operating and Non Operating Revenues	117,056,114	118,693,391
Budgeted FY11 Carryover	1,555,869	-
Total Funds Available for FY11	118,611,983	118,693,391
Operating Expense	118,611,983	120,627,827
FY 11 Net Loss	$ -	(1,934,436)
FY 11 Carryover available		1,555,869
FY 12 Net Loss Carryforward		$ (378,567.00)

Sacramento Regional Transit District

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2011 and 2010

Regional Transit

1400 29th Street
P.O. Box 2110
Sacramento, CA 95812-2110
916.321.2800 • www.sacrt.com

Attachment 3

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Sacramento Regional Transit District for the Fiscal Years Ended
June 30, 2011 and 2010

TABLE OF CONTENTS

December 12, 2011

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

The 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, 2011 and 2010.

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 Gilbert Associates, Inc., 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, 2011 and 2010, 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, 2011 and 2010, 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 the 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 Gilbert Associates, Inc.

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 Region, 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 26 million passengers in fiscal year ended June 30, 2011. 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 revenue and expenses, 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 prepare 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 or between departments within a division. 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. The annual unemployment rate for the Sacramento area in 2011 was 12.0 percent, down from 12.7 percent in 2010. The Sacramento area's annual unemployment rate is forecast to remain in the 12 to 13 percent range before improving in 2014. The unemployment rate is expected to remain above 10 percent until the end of 2014.

A significant portion of the District's operating assistance is derived from sales tax revenues. Taxable sales increased by 4.5% in the Sacramento Region in 2011 compared to 2010. It is estimated that taxable sales in 2012 will moderately increase as compared to 2011 levels, however, the sales tax is not anticipated to see their 2006 peak level.

Residential construction, as measured by building permits, are projected to increase to near 5,000 in fiscal year 2012 and continue at that level or higher over the next several years. This is less than 2002-2003 levels which were at 13,000 or more units per year, during the building boom period, but is an increase over the depressed recent years which dipped to under 1,000 units per year in fiscal year 2009.

The Sacramento area's economy is expected to struggle over the next two years as new-home construction remains sluggish and the loss of state and local government jobs will continue to put pressure on the unemployment rate.

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 the 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.

Although we are in a slow growth period, 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 incremental change in the quality, coverage and frequency of transit, making it a real transportation choice that is clean, convenient, reliable, efficient and affordable.

As with many public agencies across the region and throughout the state, 2010 and 2011 were extremely challenging years for the District. During 2010, the District was faced with significant reductions in sales tax revenues which resulted in service reductions and layoffs. During 2011, the District was dedicated to recovery measures, such as plans to restore service.

Since 1973, the District has been focused on continued growth of the transit system, adding bus service, and building and expanding the light rail system. No one could have predicted that the District would be faced with reducing bus service by 20 percent. The District could not have weathered the economic storm without major service reductions, including significant cuts to light rail service for the first time since opening in 1987.

Despite service reductions, the District has continued to move forward on key projects that will make significant improvements to the system including the Green Line to the River District, the first phase of the Green Line to the Airport light rail extension project; enhancing safety and security throughout the system by installing cameras and electronic message signs at key light rail stations; and preparations to start construction, in partnership with the Los Rios Community College District, on a four-story, 2,000 space parking structure to be located at the east entrance of Cosumnes River College.

In addition, the District is in the process of developing "TransitRenewal," a comprehensive operational analysis of the District's entire bus and light rail system that will result in recommendations for transit service improvements over the next five years. This will be accomplished by conducting an in-depth transit service analysis, developing service standards and gathering extensive community input. TransitRenewal will provide recommendations that will determine how to restore, restructure and improve transit service from 2012 through 2017 that will benefit current riders and attract new riders.

Along with the Transit Renewal project, the District, along with SACOG and 7 other transit properties have embarked on a smart card-based regional transit fare payment program that serves customers in the Sacramento, CA area. Included in the list of services to be offered by this program is the ability for the customer to pay for fare products online using a credit or debit cards. With the implementation of the program, the District's goals are to provide improved customer convenience, fare enforcement, real time revenue settlement, revenue security, accurate ridership (for those using the card) and improved service quality. Although the agencies have made much headway on this project, the project is still in the development stage, with a final completion date anticipated of May 2013.

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, and development fees)

Local funding has been affected by the slowdown in housing construction, and a reduction in consumer and governmental spending. Most of the federal and state revenues that the District receives are generated by the 5307/5309 federal transit funds and the state transportation account, rather than general funds. The District implemented and expanded the following policies and programs in the fiscal year ended June 30, 2011: employee furlough programs for three of five bargaining groups, expanded Park-Pay-and-Ride program, and other expense reduction efforts.

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 68.

The District maintains two combined retirement plan Pension Trust funds for the District's union employees, which accounts for the retirement fund of the members of ATU and IBEW and another 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.

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, 2010 and 2009. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state or local government financial reports. This was the 11th 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, 2010

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.

President

Executive Director

Sacramento Regional Transit District

Board of Directors

Don Nottoli, County of Sacramento, **Chair**
Bonnie Pannell, City of Sacramento, **Vice Chair**
Angelique Ashby, City of Sacramento
Steve Cohn, City of Sacramento
Darrell Fong, City of Sacramento
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Andy Morin, City of Folsom
David Sander, Ph.D., City of Rancho Cordova
Phil Serna, County of Sacramento

Board of Directors Alternates

Steven Detrick, City of Elk Grove
Mel Turner, City of Citrus Heights
Robert McGarvey, City of Rancho Cordova

General Manager/CEO

Michael R. Wiley

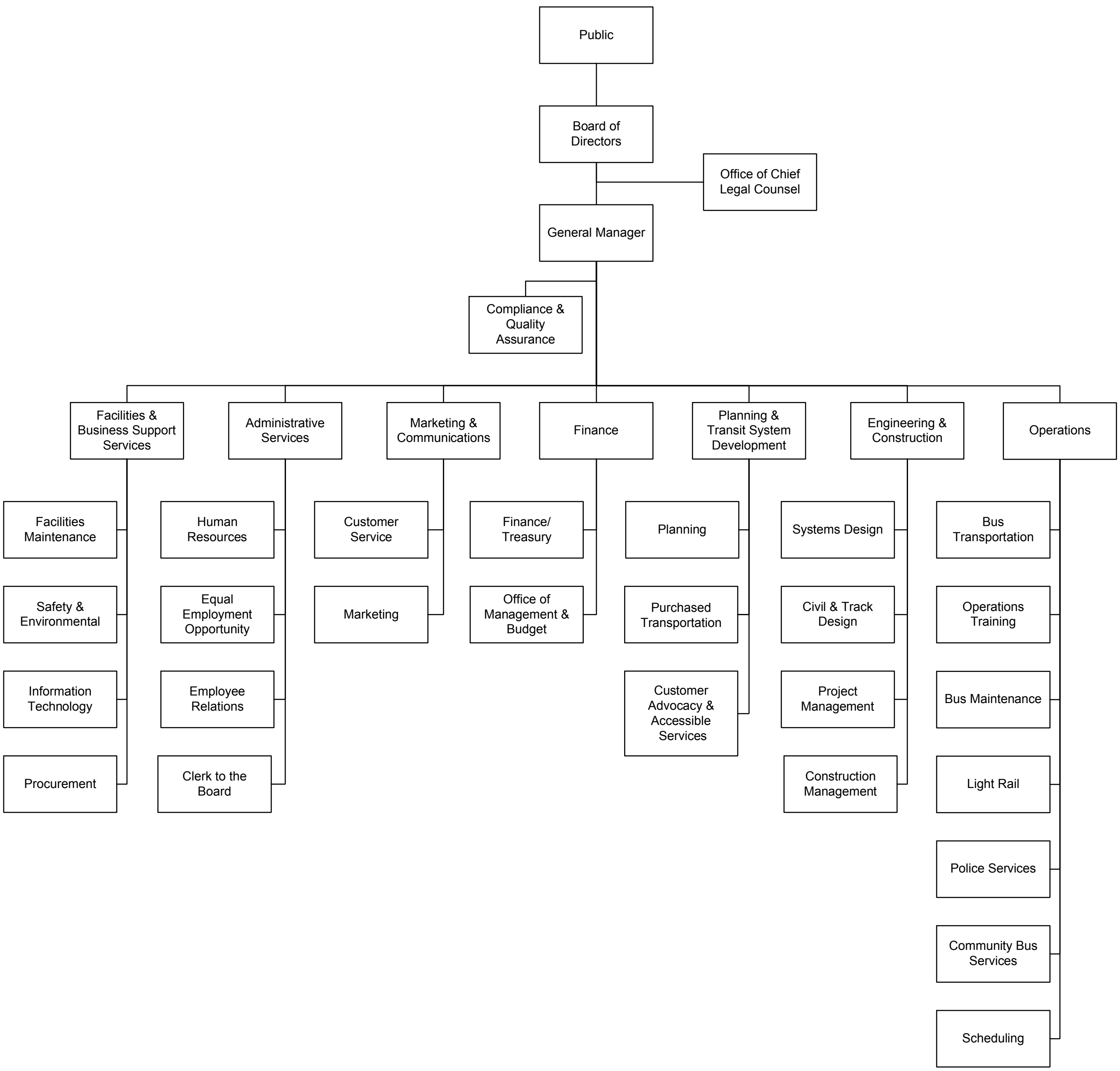
Chief Legal Counsel

Bruce A. Behrens

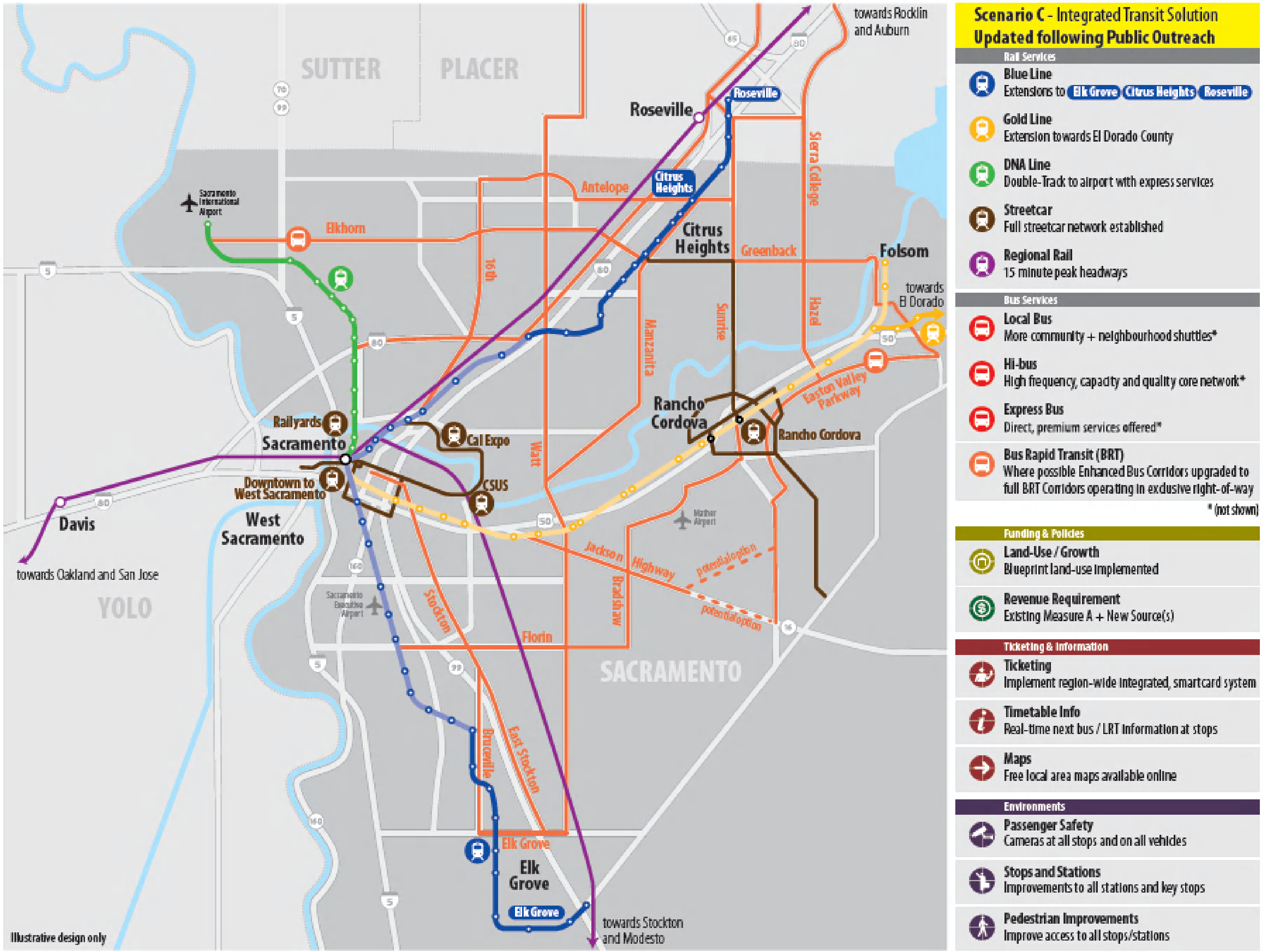
Executive Management Team

Dan M. Bailey, Chief Administrative Officer/EEO Officer
Dee Brookshire, Chief Financial Officer
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

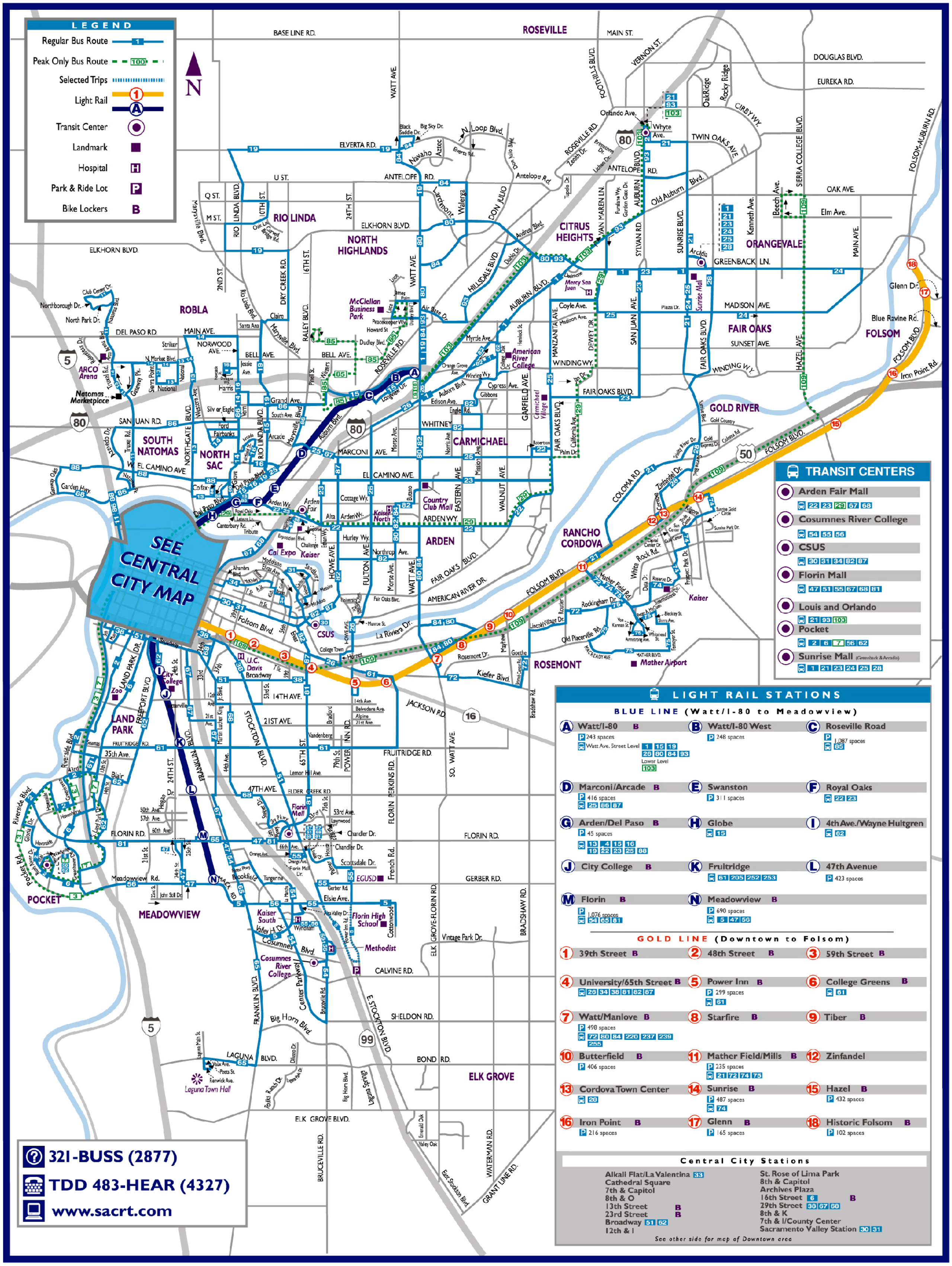
SACRAMENTO REGIONAL TRANSIT DISTRICT
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2010



2035 TRANSIT MASTER PLAN EXPANSION MAP



SACRAMENTO REGIONAL TRANSIT SERVICE AREA MAP



Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 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 years ended June 30, 2011 and 2010, 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 opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the 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, 2011 and 2010, and the respective changes in financial position and, where applicable, the cash flows thereof for the years 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 November 23, 2011, 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 financial statements. The 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.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC
Sacramento, California

November 23, 2011

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, 2011 and 2010. 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, 2011 and 2010 by $775,704,992 and $770,051,975 (net assets), respectively. Of this amount, $1,839,934 and $1,840,943, respectively, is restricted for capital projects, $778,152,299 and $770,303,653 is invested in capital assets, net of related debt, and $(4,287,241) and $(2,092,621) respectively, is unrestricted.

- The District's total net assets increased for the year ended June 30, 2011 by 0.7 percent, or $5,653,017, compared to the year ended June 30, 2010. The District's total net assets decreased for the year ended June 30, 2010 by 0.6 percent, or $5,018,559, compared to the fiscal year ended June 30, 2009. The increase in fiscal year 2011 is the result of capital contributions as the District expands its light rail system. The decrease for fiscal year 2010 was the result of an operating loss.

- The District's total liabilities decreased by $44,589,525 and $61,852,752 during the fiscal years ended June 30, 2011 and 2010, respectively. The net decrease of $44,589,525 in fiscal year 2011 is due primarily to scheduled principal debt payments, payments on the line of credit, and imputed interest accrued on the District's Lease/Leaseback transactions. The net decrease of $61,852,752 in fiscal year 2010 was due primarily to scheduled principal debt payments, payments on the line of credit, imputed interest accrued on the District's Lease/Leaseback transactions, and favorable actuarial adjustments to the District's self-insurance program.

- During the fiscal year ended June 30, 2011, fare revenue decreased by 6.1 percent as a result of a decrease in ridership stemming from cuts to bus and light rail service. Other non-operating revenue declined by 8.1 percent due primarily to the reduction of American Recovery and Reinvestment Act of 2009 federal operating support. During the fiscal year ended June 30, 2010, fare revenue decreased by 5.2 percent as a result of a decrease in ridership stemming from cuts to bus service. The fare revenue decrease due to ridership was partially mitigated by a fare increase effective September 2009. Other non-operating revenue declined by 9.8 percent due primarily to the decline in sales tax based Measure A and Transportation Development Act local operating support.

- Total operating costs decreased by 8.3 percent and 5.9 percent, respectively, for the fiscal years ended June 30, 2011 and 2010. The decrease in operating costs for the fiscal year ending June 30, 2011 can be attributed to the impact of bus and light rail service reductions on labor, security services, Paratransit operations, and Compressed Natural Gas (CNG). These declines were partially offset with an increase in the District's Public Liability/Property Damage case reserves. The decrease in operating costs for the fiscal year ending June 30, 2010 can be attributed primarily to declines in the District's Workers' Compensation costs due to lower case reserves and case development being better than anticipated, Compressed Natural Gas (CNG), and services including:

Paratransit, security and consulting related to the District's Transit Master Plan. These declines were partially mitigated by a reduction in indirect costs charged to the capital program.

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 present 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, 2011 and 2010. 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 $775,704,992 and $770,051,975 at June 30, 2011 and 2010, respectively.

The vast majority of the District's total net assets 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 due primarily to capital contributions as the District expands its light rail system.

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

	June 30, 2011	June 30, 2010	June 30, 2009
Capital Assets	$ 785,316,478	$ 778,764,512	$ 780,144,304
Current and Other Assets	143,141,351	188,629,825	254,121,344
Total Assets	928,457,829	967,394,337	1,034,265,648
Current Liabilities	76,571,602	99,431,559	106,895,387
Non-Current Liabilities	76,181,235	97,910,803	152,299,727
Total Liabilities	152,752,837	197,342,362	259,195,114
Net Assets:			
Invested in Capital Assets, Net of Related Debt	778,152,299	770,303,653	771,044,618
Restricted for Capital Projects	1,839,934	1,840,943	2,580,209
Unrestricted	(4,287,241)	(2,092,621)	1,445,707
Total Net Assets	$ 775,704,992	$ 770,051,975	$ 775,070,534

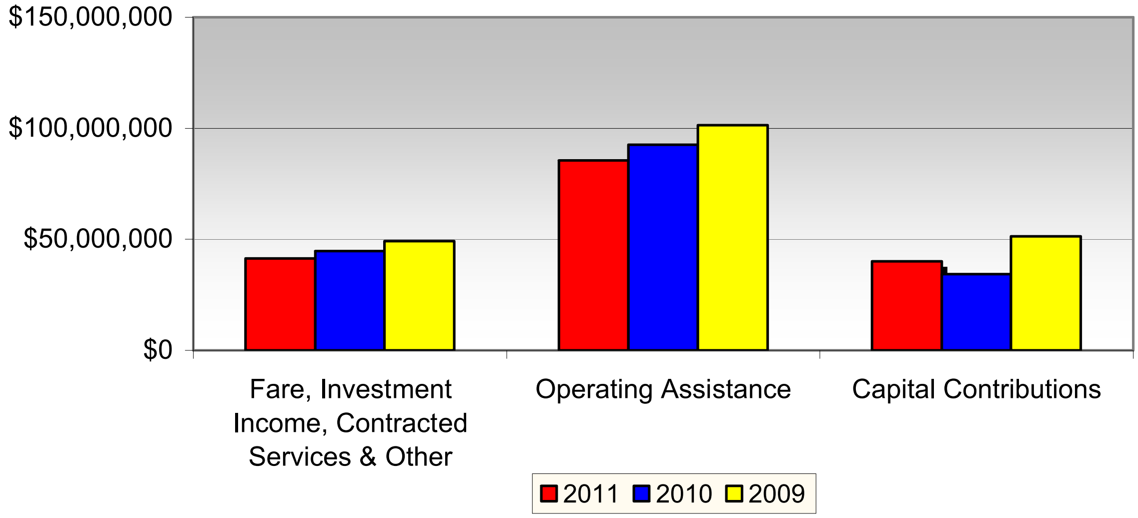
Sacramento Regional Transit District Changes in Net Assets

	June 30, 2011	June 30, 2010	Percent Change
Operating Revenues:			
Fares	$ 28,967,228	$ 30,863,701	(6.1%)
Non-Operating Revenues:			
Operating Assistance	85,483,070	92,686,342	(7.8%)
Investment Income	4,113,266	6,438,505	(36.1%)
Other Revenue	8,308,185	7,356,862	12.9%
Total Revenue	126,871,749	137,345,410	(7.6%)
Operating and Non-Operating Expenses:			
Labor & Fringe Benefits	79,365,716	91,203,130	(13.0%)
Professional & Other Services	20,719,781	24,797,197	(16.4%)
Spare Parts & Supplies	8,523,578	11,043,792	(22.8%)
Utilities	5,741,319	5,530,888	3.8%
Casualty & Liability Costs	6,540,245	2,286,204	186.1%
Depreciation & Amortization	31,238,071	30,870,183	1.2%
Other	1,547,354	1,401,986	10.4%
Indirect Costs Allocated to Capital Programs	(881,316)	(862,965)	2.1%
Interest Expense	4,401,251	6,792,061	(35.2%)
Pass through to Subrecipients	4,042,535	3,637,885	11.1%
Total Operating and Non-Operating Expenses:	161,238,534	176,700,361	(8.8%)
Loss Before Capital Contributions	(34,366,785)	(39,354,951)	(12.7%)
Capital Contributions:			
State and Local	36,481,569	29,380,939	24.2%
Federal	3,538,233	4,955,453	(28.6%)
Increase (Decrease) in Net Assets	5,653,017	(5,018,559)	(212.6%)
Net Assets, July 1	770,051,975	775,070,534	(0.6%)
Net Assets, June 30	$ 775,704,992	$ 770,051,975	0.7%

Sacramento Regional Transit District Changes in Net Assets

	June 30, 2010	June 30, 2009	Percent Change
Operating Revenues:			
Fares	$ 30,863,701	$ 32,571,459	(5.2%)
Non-Operating Revenues:			
Operating Assistance	92,686,342	101,512,541	(8.7%)
Investment Income	6,438,505	8,910,839	(27.7%)
Other Revenue	7,356,862	7,615,899	(3.4%)
Total Revenue	137,345,410	150,610,738	(8.8%)
Operating and Non-Operating Expenses:			
Labor & Fringe Benefits	91,203,130	91,580,300	(0.4%)
Professional & Other Services	24,797,197	26,584,306	(6.7%)
Spare Parts & Supplies	11,043,792	12,950,141	(14.7%)
Utilities	5,530,888	5,544,739	(0.2%)
Casualty & Liability Costs	2,286,204	7,104,114	(67.8%)
Depreciation & Amortization	30,870,183	30,698,602	0.6%
Other	1,401,986	1,680,016	(16.5%)
Indirect Costs Allocated to Capital Programs	(862,965)	(2,171,760)	(60.3%)
Interest Expense	6,792,061	9,154,035	(25.8%)
Pass through to Subrecipients	3,637,885	478,468	660.3%
Total Operating and Non-Operating Expenses:	176,700,361	183,602,961	(3.8%)
Loss Before Capital Contributions	(39,354,951)	(32,992,223)	19.3%
Capital Contributions:			
State and Local	29,380,939	42,441,018	(30.8%)
Federal	4,955,453	8,984,598	(44.8%)
Increase (Decrease) in Net Assets	(5,018,559)	18,433,393	(127.2%)
Net Assets, July 1	775,070,534	756,637,141	2.4%
Net Assets, June 30	$ 770,051,975	$ 775,070,534	(0.6%)

REVENUES BY SOURCE



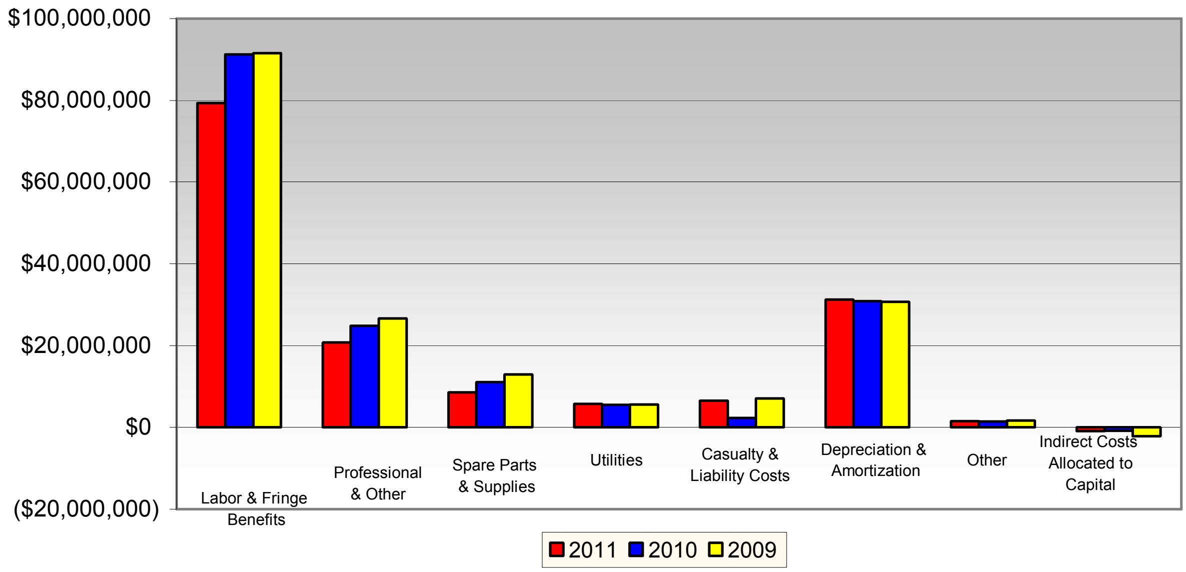
Revenue

Fares, investment income, contracted services, and other revenue decreased by a combined $3,270,389, or 7.3 percent for the fiscal year ended June 30, 2011, and decreased by a combined $4,439,129 or 9.0 percent, for the fiscal year ended June 30, 2010. The revenue decrease for fiscal years ended June 30, 2011 and 2010 is primarily due to both a decline in investment income as deposits held for the District's lease/leaseback payable have been expended and a decline in fare revenue stemming from a decrease in service and respective ridership.

Operating assistance declined by $7,203,272 or 7.8 percent and $8,826,199 or 8.7 percent, for the fiscal years ended June 30, 2011 and June 30, 2010, respectively. The decline in fiscal year 2011 is the result of a reduction to American Recovery and Reinvestment Act of 2009 funding. The fiscal year 2010 decrease is the result of a decline in sales tax based Measure A and Transportation Development Act funding.

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 16.6 percent during the fiscal year ended June 30, 2011 and decreased by 33.2 percent during the year ended June 30, 2010. The increase for the year ended June 30, 2011 is primarily the result of the Green Line to the River District light rail extension. The decrease for the year ended June 30, 2010 is primarily the result of the completion of both the replacement of 91 CNG buses and the Metro Heavy Repair Facility Expansion in the prior fiscal year.

OPERATING EXPENSES



Expenses

Operating expenses decreased by 8.3 percent for the fiscal year ended June 30, 2011 and decreased by 5.9 percent for the fiscal year ended June 30, 2010. The decrease in operating costs for the fiscal year ending June 30, 2011 can be attributed to a decline in operating expenses reflective of a reduction in service. These include a decline in labor due to layoffs, salary freezes and furloughs, security services, Paratransit operations, and Compressed Natural Gas (CNG). These declines were partially offset with an increase in the District's Public Liability/Property Damage case reserves. The decrease in operating costs for the fiscal year ended June 30, 2010 can be attributed primarily to declines in the District's Public Liability/Property Damage and Workers' Compensation costs, CNG, and services including: Paratransit, security and consulting related to the District's Transit Action Plan. These declines were partially mitigated by a reduction in indirect costs charged to the capital program.

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, 2011 of $(4,287,241), a decline of $2,194,620, or 104.9 percent, in comparison with June 30, 2010, which reported unrestricted net assets of $(2,092,621), a decline of $3,538,328, or 244.7 percent from June 30, 2009. The decrease in unrestricted net assets of $2,194,620 and $3,538,328 in 2011 and 2010, respectively, was the result of the District incurring operating losses for both years. The District’s fiscal year 2012 budget includes a provision for an operating reserve of $4,434,030 which will address the negative unrestricted net assets at June 30, 2011.

Capital Asset and Debt Activity

As of June 30, 2011 the District’s investment in various capital assets, such as bus and light rail vehicles, facilities, land, buildings and equipment increased to $785,316,478 from $778,764,512 representing a 0.8 percent increase. The most significant addition to the District’s capital costs is related to work in process on the Green Line to the River District light rail extension project. As of June 30, 2010, the District’s investment in various capital assets, such as bus and light rail vehicles, facilities, land, buildings and equipment decreased to $778,764,512 from $780,144,304, representing a 0.2 percent decrease. The most significant additions to the District’s capital costs are related to work in process on the Green Line to the River District and South Line Phase 2 light rail extension projects. These increases were offset by depreciation expense. 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 $1,765,984 or 18.5 percent for the fiscal year ended June 30, 2011, and $1,680,984 or 15.0 percent for the fiscal year ended June 30, 2010. 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 $57,411,268 and $100,681,155 as of June 30, 2011 and 2010, 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, 2011 the District has construction contracts and property acquisition commitments of approximately $16,811,251.

Request for Information

Please address all questions or requests 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, 2011 and 2010

	2011	2010
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 893,863	$ 3,093,702
Restricted Cash and Cash Equivalents	3,871,567	19,243,657
Restricted Investments	19,194,131	1,068,620
Deposits for Lease/Leaseback Payable	24,271,104	47,264,990
Receivables:		
State and Local Government	5,337,355	6,895,363
Federal Government	26,129,170	28,047,253
Other	5,718,622	4,300,112
Spare Parts and Supplies Inventory	16,969,524	16,797,023
Other Current Assets	50,000	50,000
Total Current Assets	102,435,336	126,760,720
Non-Current Assets:		
Restricted Cash & Cash Equivalents	-	3,779,720
Investments	4,268,211	4,130,718
Restricted Investments	2,857,103	-
Deposits for Lease/Leaseback Payable	33,140,164	53,416,165
Deferred Issuance Costs	190,537	242,502
Prepaid Lease	250,000	300,000
Non-Depreciated Capital Assets	193,278,651	157,864,981
Depreciated Capital Assets, Net	592,037,827	620,899,531
Total Non-Current Assets	826,022,493	840,633,617
Total Assets	$ 928,457,829	$ 967,394,337

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, 2011 and 2010

	2011	2010
LIABILITIES		
Current Liabilities:		
Line of Credit	$ 7,600,000	$ 11,100,000
Accounts Payable	13,360,859	12,105,312
Other Accrued Liabilities	2,962,717	3,192,559
Compensated Absences	5,824,364	6,465,233
Interest Payable	102,594	130,761
Unearned Revenue	372,070	503,124
Advances from Other Governments	11,545,078	9,895,284
Claims Payable	7,744,420	6,628,000
Lease/Leaseback Payable	24,271,104	47,264,990
Certificates of Participation	1,845,984	1,765,984
Retention Payable	942,412	380,312
Total Current Liabilities	76,571,602	99,431,559
Long-Term Liabilities:		
Certificates of Participation	5,942,622	7,788,606
Compensated Absences	2,756,098	1,804,685
Advances from Other Governments	13,177,077	13,310,081
Claims Payable	11,300,847	11,307,077
Lease/Leaseback Payable	33,140,164	53,416,165
Deferred Gain on Lease/Leaseback	9,864,427	10,284,189
Total Long-Term Liabilities	76,181,235	97,910,803
Total Liabilities	152,752,837	197,342,362
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	778,152,299	770,303,653
Restricted For Capital Projects	1,839,934	1,840,943
Unrestricted	(4,287,241)	(2,092,621)
Total Net Assets	$ 775,704,992	$ 770,051,975

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, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Fares	$ 28,967,228	$ 30,863,701
OPERATING EXPENSES		
Labor and Fringe Benefits	79,365,716	91,203,130
Professional and Other Services	20,719,781	24,797,197
Spare Parts and Supplies	8,523,578	11,043,792
Utilities	5,741,319	5,530,888
Casualty and Liability Costs	6,540,245	2,286,204
Depreciation and Amortization	31,238,071	30,870,183
Indirect Costs Allocated to Capital Programs	(881,316)	(862,965)
Other	1,547,354	1,401,986
Total Operating Expenses	152,794,748	166,270,415
Operating Loss	(123,827,520)	(135,406,714)
NON-OPERATING REVENUES (EXPENSES)		
Operating Assistance:		
State and Local	58,109,166	58,134,639
Federal	27,373,904	34,551,703
Investment Income	4,113,266	6,438,505
Interest Expense	(4,401,251)	(6,792,061)
Pass-Through to Subrecipients	(4,042,535)	(3,637,885)
Contract Services	4,361,810	4,598,650
Other	3,946,375	2,758,212
Total Non-Operating Revenues	89,460,735	96,051,763
Loss Before Capital Contributions	(34,366,785)	(39,354,951)
Capital Contributions:		
State and Local	36,481,569	29,380,939
Federal	3,538,233	4,955,453
Increase (Decrease) in Net Assets	5,653,017	(5,018,559)
Net Assets, July 1	770,051,975	775,070,534
Net Assets, June 30	$ 775,704,992	$ 770,051,975

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, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 27,562,706	$ 31,531,967
Cash Received from Contract Sources	4,361,810	4,598,650
Cash Paid to Suppliers	(40,266,939)	(52,361,990)
Cash Paid to Employees	(78,403,698)	(91,641,307)
Cash Received from Other Sources	3,926,860	2,705,571
Net Cash (Used in) Operating Activities	(82,819,261)	(105,167,109)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Local Receipts	58,113,322	62,339,297
Federal Receipts	28,611,060	40,574,446
Pass-Through to Subrecipients	(4,042,535)	(3,637,885)
Advances on the Line of Credit	26,100,000	56,100,000
Payments on the Line of Credit	(29,600,000)	(65,000,000)
Net Cash Provided by Noncapital Financing Activities	79,181,847	90,375,858
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(38,157,835)	(29,858,189)
Principal Payments on Certificates of Participation	(1,690,000)	(1,605,000)
Interest Paid	(510,298)	(661,669)
Proceeds from Sale of Capital Assets	19,515	52,641
State and Local Capital Grants	39,552,211	42,837,016
Federal Capital Grants	4,219,160	3,936,179
Net Cash Provided by Capital and Related Financing Activities	3,432,753	14,700,978
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	10,997,631	11,300,470
Purchases of Investments	(32,557,881)	(11,552,112)
Investment Income	413,262	215,373
Net Cash (Used in) Investing Activities	(21,146,988)	(36,269)
Net (Decrease) in Cash and Cash Equivalents	(21,351,649)	(126,542)
Cash and Cash Equivalents, July 1	26,117,079	26,243,621
Cash and Cash Equivalents, June 30	$ 4,765,430	$ 26,117,079
RECONCILIATION TO STATEMENT OF NET ASSETS		
Cash and Cash Equivalents	$ 893,863	$ 3,093,702
Restricted Cash and Cash Equivalents, Current	3,871,567	19,243,657
Restricted Cash and Cash Equivalents, Non-Current	-	3,779,720
Total Cash and Cash Equivalents	$ 4,765,430	$ 26,117,079

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, 2011 and 2010

	2011	2010
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating Loss	$ (123,827,520)	$ (135,406,714)
Adjustments to Reconcile Net Loss from Operations to Net Cash Used in Operating Activities:		
Depreciation	31,605,869	31,237,981
Amortization	(367,798)	(367,798)
Contract Services Nonoperating Income	4,361,810	4,598,650
Miscellaneous Nonoperating Income	3,926,860	2,705,571
Effect of Changes in:		
Other Receivables	(1,273,468)	689,266
Spare Parts and Supplies Inventory	(172,499)	(48,684)
Other Current Assets	-	9,860
Prepaid Lease	50,000	50,000
Accounts, Other Accrued and Retention Payable	1,587,805	(4,440,469)
Compensated Absences and Other	310,544	(258,849)
Unearned Revenue	(131,054)	(21,000)
Reserve for Claims	1,110,190	(3,914,923)
Net Cash (Used in) Operating Activities	$ (82,819,261)	$ (105,167,109)

	2011	2010
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Interest Income from Investments Held to Pay Lease/Leaseback	$ 3,995,103	$ 6,234,236
Interest Expense on Capital Lease/Leaseback	(3,995,103)	(6,234,236)
Reduction of Deposits for Lease/Leaseback Payment by Payment Undertaker	47,264,990	52,081,021
Payment of Lease/Leaseback Payable by Payment Undertaker	(47,264,990)	(52,081,021)
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, 2011 and 2010

	2011	2010
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 7,809,266	$ 8,665,647
Interest, Dividends, and Other Receivables	3,224,405	1,914,236
Total Current Assets	11,033,671	10,579,883
Long-Term Investments:		
Equity Securities	117,773,064	95,284,271
Fixed Income Securities	72,007,039	65,052,647
Total Long-Term Investments	189,780,103	160,336,918
Total Assets	200,813,774	170,916,801
LIABILITIES		
Liabilities:		
Securities Purchased Payable	9,769,379	5,840,584
Accounts Payable	853,159	683,866
Total Liabilities	10,622,538	6,524,450
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 190,191,236	$ 164,392,351

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, 2011 and 2010

	2011	2010
ADDITIONS		
Contributions:		
Employer	$ 10,526,715	$ 11,694,384
Total Contributions	10,526,715	11,694,384
Investment Income:		
Net Increase in Fair Value of Investments	28,852,006	18,837,951
Interest, Dividends, and Other Income	4,381,673	4,525,594
Investment Expenses	(1,209,718)	(1,253,745)
Net Investment Income	32,023,961	22,109,800
Total Additions	42,550,676	33,804,184
DEDUCTIONS		
Benefits Paid to Participants	16,550,718	14,152,018
Administrative Expenses	201,073	94,024
Total Deductions	16,751,791	14,246,042
Increase in Net Assets	25,798,885	19,558,142
Net Assets, Held in Trust for Pension Benefits - July 1	164,392,351	144,834,209
Net Assets, Held in Trust for Pension Benefits - June 30	$ 190,191,236	$ 164,392,351

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

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 non-operating 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 non-operating revenues and expenses. Unrestricted net assets for the enterprise fund represent the net assets available for future operations.

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 department 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.

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.

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, 2011 and 2010, the District did not implement new GASB pronouncements as they did not apply to the District's financial activity or were immaterial.

2. CASH AND INVESTMENTS

As of June 30, 2011 and 2010, the cash and investments among all funds consisted of the following:

	2011	2010
Cash on hand	$ 147,742	$ 154,450
Cash and cash equivalents	12,426,954	34,628,276
Investments	216,099,548	165,536,256
Total Cash and Investments	$ 228,674,244	$ 200,318,982

2. CASH AND INVESTMENTS (Continued)

The total cash and investments as of June 30, 2011, are reported in the accompanying basic financial statements as follows:

	Enterprise Fund	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	$ 893,863	$ -	$ 893,863
Investments	4,268,211	-	4,268,211
Total unrestricted	5,162,074	-	5,162,074
Restricted:			
Cash and cash equivalents	3,871,567	7,809,266	11,680,833
Investments	22,051,234	189,780,103	211,831,337
Total restricted	25,922,801	197,589,369	223,512,170
Total cash and investments	$ 31,084,875	$ 197,589,369	$ 228,674,244

The total cash and investments as of June 30, 2010, are reported in the accompanying basic financial statements as follows:

	Enterprise Fund	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	$ 3,093,702	$ -	$ 3,093,702
Investments	4,130,718	-	4,130,718
Total unrestricted	7,224,420	-	7,224,420
Restricted:			
Cash and cash equivalents	23,023,376	8,665,647	31,689,023
Investments	1,068,620	160,336,918	161,405,538
Total restricted	24,091,996	169,002,565	193,094,561
Total cash and investments	$ 31,316,416	$ 169,002,565	$ 200,318,981

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.

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 (1)	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 US Treasury and Agency Securities as Collateral	None	N/A	None	None
Corporate Bonds	None	Baa	None	None
Mortgage Pass-Through Securities	None	None	None	None
Collateralized Mortgage Obligations	None	Aaa	None	None
Asset Backed Securities	None	None	None	None
Mutual Funds	N/A	N/A	25% (2)	5%
Real Estate Investment Trust	N/A	N/A	25% (2)	5%
Depository Receipts	N/A	N/A	25% (2)	5%
Stocks	N/A	N/A	25% (2)	5%

(1) The fixed income portion of the ATU/IBEW and Salaried Plans shall be limited in duration to between 75% and 125% of the Barclays Capital Aggregate Bond index.
(2) No more than 25% of the fair value on the purchase cost basis of the total common stock portfolio (equity securities) shall be invested in a single industry at the time of purchase.

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, 2011.

	Maturities in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Fair Value
Enterprise Fund					
Corporate bonds	$ -	$ 1,056,383	$ -	$ -	$ 1,056,383
Local Agency Investment Fund	433,208	-	-	-	433,208
Corporate bonds – FDIC Insured	122,417	235,506	-	-	357,923
U.S. Government Agency obligations	14,256,869	6,014,208	-	-	20,271,077
U.S. Government Issued obligations	3,142,615	1,491,447	-	-	4,634,062
Total Enterprise Fund	$ 17,955,109	$ 8,797,544	$ -	$ -	$ 26,752,653
Fiduciary Funds					
ATU/IBEW and Salaried:					
Collateralized mortgage obligations	$ -	$ -	$ 3,202,856	$ 12,416,975	$ 15,619,831
Corporate bonds	1,214,840	4,588,721	6,068,877	3,808,317	15,680,755
Municipal bonds	-	-	665,579	476,930	1,142,509
U.S. Government Agency obligations	-	-	1,045,844	22,267,019	23,312,863
U.S. Government Issued obligations	-	5,578,082	992,024	3,934,316	10,504,422
Asset backed securities	74,283	397,326	577,361	4,697,689	5,746,659
Total Fiduciary Fund	$ 1,289,123	$ 10,564,129	$ 12,552,541	$ 47,601,246	$ 72,007,039

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, 2010.

	Maturities in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Fair Value
Enterprise Fund					
Corporate bonds	$ -	$ 735,756	$ -	$ -	$ 735,756
Local Agency Investment Fund	850,383	-	-	-	850,383
Corporate bonds – FDIC Insured	-	565,350	-	-	565,350
U.S. Government Agency obligations	-	3,154,434	-	-	3,154,434
U.S. Government Issued obligations	270,375	473,423	-	-	743,798
Total Enterprise Fund	$ 1,120,758	$ 4,928,963	$ -	$ -	$ 6,049,721
Fiduciary Funds					
ATU/IBEW and Salaried:					
Collateralized mortgage obligations	$ -	$ 169,899	$ 35,518	$ 13,435,479	$ 13,640,896
Corporate bonds	686,300	5,114,928	5,210,352	4,494,959	15,506,539
Municipal bonds	-	-	-	449,712	449,712
U.S. Government Agency obligations	-	-	47,518	13,581,329	13,628,847
U.S. Government Issued obligations	-	10,289,433	2,049,210	3,777,030	16,115,673
Asset backed securities	188,833	511,419	264,831	4,745,897	5,710,980
Total Fiduciary Fund	$ 875,133	$ 16,085,679	$ 7,607,429	$ 40,484,406	$ 65,052,647

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 obligers 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, 2011, the District held callable bonds with a fair value of $316,299. The ATU/IBEW and Salaried Pension Trust Fund held callable bonds with a fair value of $7,725,362.

As of June 30, 2010, 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 $8,340,096.

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, 2011 and 2010, the District did not hold any of these securities. As of June 30, 2011, the ATU/IBEW and Salaried Pension Trust Fund held range notes with a fair value of $443,475. As of June 30, 2010, the ATU/IBEW Pension Trust Fund and the Salaried Pension Trust Fund held range notes with a fair value of $438,306.

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, 2011 and 2010, 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, 2011:

	Enterprise Fund	
Moody's Ratings	Fair Value	Percentage of Portfolio
Not applicable	$ 4,332,222	13.94%
Not rated	433,208	1.39%
Aaa/P1	25,263,062	81.27%
Aa1	64,658	0.21%
Aa2	230,828	0.74%
Aa3	366,548	1.18%
A1	134,753	0.43%
A2	259,596	0.84%
	$ 31,084,875	100.00%

2. CASH AND INVESTMENTS (Continued)

Fiduciary Funds		
Moody's Ratings	ATU/IBEW and Salaried Fair Value	Percentage of Portfolio
Not applicable	$ 125,582,330	63.56%
Not rated	14,866,920	7.52%
Aaa	32,663,892	16.53%
Aa1	1,282,297	0.65%
Aa2	2,145,780	1.09%
Aa3	1,085,497	0.55%
A1	2,735,596	1.38%
A2	2,138,749	1.08%
A3	2,233,947	1.13%
Baa1	1,123,182	0.57%
Baa2	3,663,099	1.85%
Baa3	1,527,529	0.77%
Ba1	560,045	0.28%
Ba2	294,100	0.15%
Ba3	99,554	0.05%
B1	447,718	0.23%
B2	150,791	0.08%
Caa1	1,475,286	0.75%
Caa3	2,480,101	1.26%
Ca	1,032,956	0.52%
Total	$ 197,589,369	100.00%

2. CASH AND INVESTMENTS (Continued)

The following tables provide information on the credit ratings and fair value associated with investments as of June 30, 2010:

	Enterprise Fund	
Moody's Ratings	Fair Value	Percentage of Portfolio
Not applicable	$ 25,266,696	80.68%
Not rated	850,383	2.72%
Aaa/P1	4,463,582	14.25%
Aa1	64,314	0.21%
Aa2	240,878	0.77%
Aa3	124,426	0.40%
A1	164,098	0.52%
A2	142,040	0.45%
	$ 31,316,417	100.00%

2. CASH AND INVESTMENTS (Continued)

Fiduciary Funds

Moody's Ratings	ATU/IBEW and Salaried Fair Value	Percentage of Portfolio
Not applicable	$ 103,949,918	61.51%
Not rated	10,373,905	6.14%
Aaa	31,232,274	18.48%
Aa1	354,865	0.21%
Aa2	2,214,210	1.31%
Aa3	735,389	0.44%
A1	2,361,531	1.40%
A2	2,415,030	1.43%
A3	1,923,777	1.14%
Baa1	1,821,596	1.08%
Baa2	2,397,537	1.42%
Baa3	2,521,882	1.49%
Ba1	467,770	0.27%
Ba2	532,577	0.32%
Ba3	737,186	0.44%
B1	531,937	0.31%
B2	727,048	0.43%
B3	262,595	0.16%
Caa1	1,238,910	0.73%
Caa2	355,297	0.21%
Caa3	1,476,177	0.87%
Ca	371,154	0.21%
Total	$ 169,002,565	100.00%

2. CASH AND INVESTMENTS (Continued)

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 years 2011 and 2010, the District did have more than 5% of total investments in a single issuer aside from the Local Agency Investment Fund (LAIF), which are disclosed as follows:

	2011	2010
Federal Farm Credit Bank	$ 3,052,041	$ 625,746
Federal Home Loan Bank	5,562,855	607,374
Federal Home Loan Mortgage Corporation	4,994,298	1,383,237
Federal National Mortgage Association	6,397,509	-
Tennessee Valley Authority	-	306,514
	$ 20,006,703	$ 2,922,871

The investment policy of the Pension Trust Funds states that an investment in domestic or international equity fund managers' securities of a single issuer shall not exceed 5% (at cost) of the value of the portfolios and/or of the company's total outstanding shares. None of the Pension Trusts Funds' domestic or international equity fund managers' investments in a single company represents greater than 5% of the value of the portfolios and/or of the company's total outstanding shares. During the fiscal years 2011 and 2010 the Pension Trust Funds did hold more than 5% of the Plans' investments in the following fixed-income securities investment.

	2011	2010
Federal National Mortgage Association	$ 14,196,114	$ -

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, 2011 and 2010, $960,572 and $2,596,568 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, 2011 and 2010, the District had no investment securities exposed to custodial credit risk. 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, 2011 and 2010 was $433,208 and $850,383, respectively. The total fair value amount invested by all public agencies in LAIF at June 30, 2011 and 2010 was $23,983,771,875 and $23,263,615,099, respectively. The LAIF is part of the Pooled Money Investment Account (PMIA) whose balances as of June 30, 2011 and June 30, 2010 were $66,352,783,817 and $69,555,776,591, respectively. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities at June 30, 2011 and 2010, totaling $2,221,706,000 and $3,130,602,000, approximately 3.35% and 4.50% of the total portfolio, and structured notes totaling $1,100,000,000 and $625,119,000, approximately 1.66% and 0.90% of the total portfolio, respectively.

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, 2011 and 2010 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, 2011, the U.S. dollar balances organized by investment type and currency denominations are as follows:

Fiduciary Fund:	Foreign Currency	ATU/IBEW and Salaried
Cash	Euro Currency	$ 76,037
	Japanese Yen	71,413
	Pound Sterling	13,332
	Swiss Franc	200
Stocks	Euro Currency	6,525,155
	Japanese Yen	5,021,212
	New Zealand Dollar	80,388
	Pound Sterling	2,731,532
	Swiss Franc	740,436
Total:		$ 15,259,705

2. CASH AND INVESTMENTS (Continued)

At June 30, 2010, the U.S. dollar balances organized by investment type and currency denominations are as follows:

Fiduciary Fund:	Foreign Currency	ATU/IBEW and Salaried
Cash	Euro Currency	$ 1,071
	Japanese Yen	47,461
Stocks	Euro Currency	5,387,371
	Japanese Yen	4,252,034
	New Zealand Dollar	51,528
	Pound Sterling	2,054,783
	Swiss Franc	616,012
Total:		$ 12,410,260

RESTRICTED CASH AND INVESTMENTS

Enterprise Fund
At June 30, 2011 and 2010, cash and investments includes restricted amounts of the District's Enterprise Fund of $25,922,801 and $24,091,996, respectively. Amounts represent monies restricted for retirement of debt, developer fee projects, and grantor-approved projects.

Fiduciary Fund
At June 30, 2011 and 2010, cash and investments include restricted amounts of the Pension Trust Funds of $197,589,369 and $169,002,565, 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:

	2011	2010
Prepaid Lease, Balance	$ 300,000	$ 350,000
Less: Current Portion	(50,000)	(50,000)
Prepaid Lease, Non-current	$ 250,000	$ 300,000

4. CAPITAL ASSETS

Activity for the year ended June 30, 2011 was as follows:

Assets at Cost	Balance June 30, 2010	Additions	Transfers	Deletions	Balance June 30, 2011
Non-Depreciated Capital Assets					
Land*	$ 85,226,659	$ -	$ -	$ -	$ 85,226,659
Capital Projects in Process	72,638,322	36,525,012	(1,035,228)	(76,114)	108,051,992
Total Non-Depreciated Capital Assets	157,864,981	36,525,012	(1,035,228)	(76,114)	193,278,651
Depreciated Capital Assets					
Buildings and Improvements*	649,361,215	1,607,812	1,035,228	(264,072)	651,740,183
Buses and Other Equipment	264,506,659	101,125	-	(3,989,221)	260,618,563
Total Depreciated Capital Assets	913,867,874	1,708,937	1,035,228	(4,253,293)	912,358,746
Accumulated Depreciation:					
Buildings and Improvements	(175,319,109)	(17,524,127)	-	264,072	(192,579,164)
Buses and Other Equipment	(117,649,234)	(14,081,742)	-	3,989,221	(127,741,755)
Total Accumulated Depreciation	(292,968,343)	(31,605,869)	-	4,253,293	(320,320,919)
Capital Assets Being Depreciated, Net	620,899,531	(29,896,932)	1,035,228	-	592,037,827
Capital Assets, Net	$ 778,764,512	$ 6,628,080	$ -	$ (76,114)	$ 785,316,478

*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 2012. Therefore, the current lease in furtherance of conveyance is being reported as a fee simple ownership of the property.

4. CAPITAL ASSETS (continued)

Activity for the year ended June 30, 2010 was as follows:

Assets at Cost	Balance June 30, 2009	Additions	Transfers	Deletions	Balance June 30, 2010
Non-Depreciated Capital Assets					
Land*	$ 85,226,659	$ -	$ -	$ -	$ 85,226,659
Capital Projects in Process	58,895,033	31,158,709	(15,897,668)	(1,517,752)	72,638,322
Total Non-Depreciated Capital Assets	144,121,692	31,158,709	(15,897,668)	(1,517,752)	157,864,981
Depreciated Capital Assets					
Buildings and Improvements	633,797,775	-	15,563,440	-	649,361,215
Buses and Other Equipment	275,707,599	238,387	334,228	(11,773,555)	264,506,659
Total Depreciated Capital Assets	909,505,374	238,387	15,897,668	(11,773,555)	913,867,874
Accumulated Depreciation:					
Buildings and Improvements	(158,031,599)	(17,287,510)	-	-	(175,319,109)
Buses and Other Equipment	(115,451,163)	(13,950,471)	-	11,752,400	(117,649,234)
Total Accumulated Depreciation	(273,482,762)	(31,237,981)	-	11,752,400	(292,968,343)
Capital Assets Being Depreciated, Net	636,022,612	(30,999,594)	15,897,668	(21,155)	620,899,531
Capital Assets, Net	$ 780,144,304	$ 159,115	$ -	$ (1,538,907)	$ 778,764,512

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, 2011 and June 30, 2010, 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 $25,000,000 limit. The Fiscal Year 2011 interest rate was at either current LIBOR plus one and three-quarters percent on a fixed basis or current Prime on a variable basis. The Fiscal Year 2010 interest rate was 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, 2011. 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, 2012. The line of credit balance at June 30, 2011 and 2010 is summarized as follows:

	2011	2010
Beginning Balance	$ 11,100,000	$ 20,000,000
Draws	26,100,000	56,100,000
Payments	(29,600,000)	(65,000,000)
Ending Balance	$ 7,600,000	$ 11,100,000

6. LEASES

OPERATING LEASES

The District leases buildings, parking lots, and office facilities under non-cancelable operating leases. Total cost for such leases was $571,069 and $586,959 for the fiscal years ended June 30, 2011 and 2010, respectively. The future minimum lease payments for these leases are as follows:

Year Ending June 30,		Amount
2012	$	430,891
2013		4,875
2014		2,400
2015		2,400
Total	$	440,566

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, 2011 and 2010, the District had a balance of $9,864,427 and $10,284,189, respectively, as deferred gain on Lease/Leaseback. During the fiscal years ending June 30, 2011 and 2010, the District amortized $419,762 and $419,764, respectively 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.

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 leveraged 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 continued to perform as required on all three lease transactions following the downgrades and the District's equity investor granted the District consecutive extensions to find acceptable replacements or to develop a strategy to cure the deficiencies in the documents.

On February 28, 2011, the RT Board approved a restructuring agreement for all three leveraged lease transactions with respect to ratings triggers and cure periods. Following months of communication between the parties, on July 21, 2011, the District and Fifth Third Bank (Fifth Third) amended the 2005, 2006, and 2007 SILO Participation Agreements. The amended language reduced the rating trigger for AIG from “A2/A” and “A3/A-“ to “Baa3/BBB-“, kept Ambac in place, but eliminated the requirement to replace it, and in the event that the AIG revised rating trigger is reached, extends the time frame for replacement to one year after actual knowledge or notice of the downgrade. In addition, the AIG Equity Payment Undertaking Agreement (EPUA) was replaced with a direct pledge of the Treasury's Separate Trading of Registered Interest and Principal Securities (STRIPS) that mature at times and amounts that mirror the AIG EPUA within the transactions. The Participation Agreement amendments also contain a rating trigger to replace the STRIPS within 365 days of a downgrade of the US Government. Fifth Third has indicated that it would work with RT to amend this requirement at an appropriate time. As of July 21, 2011, the District is in compliance with the contractual terms of the 2005, 2006 and 2007 Participation Agreements.

Due to a cross covenant requirement on all financings of the District embedded in the Line of Credit (LOC) agreement with Wells Fargo Bank, an additional consequence of the 2008 downgrade of AIG and Ambac was a requirement for the District to seek matching forbearance from Wells Fargo Bank for the LOC to the District which funds its working capital. Wells Fargo Bank has provided extensions to match those provided by the District's equity investor on the SILO transactions from the onset of the downgrades of AIG and Ambac. Following the July 21, 2011, restructuring of the SILO's by amending the 2005, 2006, and 2007 Participation Agreements, the District is no longer required to seek forbearance from Wells Fargo Bank.

As the Debt and Equity Payment Undertaking Agreements (DPUA) 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, 2011 and 2010, the balance of this deposit was $57,411,268 and $100,681,155, 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.

6. LEASES (Continued)

Future minimum payments due in fiscal years ending June 30,:	Amount
2012	$ 24,271,104
2013	3,857,272
2014	-
2015	-
2016	-
2017-2021	-
2022-2026	-
2027-2031	14,252,635
2032-2036	83,679,455
Total future minimum payments	126,060,466
Less: imputed interest	(68,649,198)
Present value of minimum lease payments	$ 57,411,268

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% of total farebox revenues. The total principal and interest remaining to be paid on the COPs were $8,317,095 and $10,399,377 at June 30, 2011 and 2010, respectively. Principal and interest paid were $2,082,282 and $2,077,533 for the fiscal years ending June 30, 2011 and 2010, respectively. Farebox revenues were $28,967,228 and $30,863,701 for the fiscal years ending June 30, 2011 and 2010, respectively.

As of June 30, 2011, debt service requirements to maturity are as follows:

Fiscal Years Ending June 30,:	Principal	Interest	Total
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	2,000,000	80,000	2,080,000
Total	$ 7,510,000	$ 807,095	$ 8,317,095

7. LONG-TERM DEBT (Continued)

As of June 30, 2011, the unamortized premium and bond issuance cost associated with the COPs were $278,606 and $190,537, respectively. As of June 30, 2010, the unamortized bond premium and bond issuance costs were $354,590 and $242,502, respectively.

For both fiscal years ended June 30, 2011, and 2010, the amortization of the premium and issuance costs were $75,984 and $51,964, respectively.

CHANGES IN LONG-TERM LIABILITES

Long-term liability activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Certificates of participation	$ 9,200,000	$ -	$ (1,690,000)	$ 7,510,000	$ 1,770,000
Issuance Premium	354,590	-	(75,984)	278,606	75,984
Total COP	9,554,590	-	(1,765,984)	7,788,606	1,845,984
Compensated Absences	8,269,918	5,940,030	(5,629,486)	8,580,462	5,824,364
Advances from Other Governments	23,205,365	9,986,259	(8,469,469)	24,722,155	11,545,078
Claims Payable	17,935,077	5,254,381	(4,144,191)	19,045,267	7,744,420
Lease/Leaseback Payable	100,681,155	3,995,103	(47,264,990)	57,411,268	24,271,104
Long-Term Liabilities	$ 159,646,105	$ 25,175,773	$ (67,274,120)	$ 117,547,758	$ 51,230,950

Long-term liability activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Certificates of participation	$ 10,805,000	$ -	$ (1,605,000)	$ 9,200,000	$ 1,690,000
Issuance Premium	430,574	-	(75,984)	354,590	75,984
Total COP	11,235,574	-	(1,680,984)	9,554,590	1,765,984
Compensated Absences	8,528,767	6,417,964	(6,676,813)	8,269,918	6,465,233
Advances from Other Governments	19,547,484	22,438,404	(18,780,523)	23,205,365	9,895,284
Claims Payable	21,850,000	83,585	(3,998,508)	17,935,077	6,628,000
Lease/Leaseback Payable	146,527,940	6,234,236	(52,081,021)	100,681,155	47,264,990
Long-Term Liabilities	$ 207,689,765	$ 35,174,189	$ (83,217,849)	$ 159,646,105	$ 72,019,491

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:

	2011	2010
Operating assistance grants:		
FTA Section 5307	$ 18,544,542	$ 21,283,578
FTA Section 5309	6,894,870	4,844,088
FTA Section 5316	569,528	327,984
FTA ARRA	1,123,780	8,096,053
STP and CMAQ	241,184	-
Total Federal operating assistance grants	27,373,904	34,551,703
Capital grants:		
FTA Section 5309	1,487,506	380,973
FTA Section 5307	348,658	931,200
STP and CMAQ	1,209,599	3,593,021
FTA ARRA	492,470	50,259
Total Federal capital grants	3,538,233	4,955,453
Total Federal operating and capital grants	$ 30,912,137	$ 39,507,156

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 infra-structure, 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.

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:

	2011	2010
Operating assistance grants:		
Measure A Sales Tax Revenue	$ 28,942,154	$ 27,678,086
Local Transportation Funds	27,382,646	24,698,724
State Transit Assistance	1,784,366	5,757,829
Total state and local operating assistance grants	58,109,166	58,134,639
Capital grants:		
Measure A Sales Tax Revenue	21,956,582	15,705,365
State Transit Assistance	3,520,525	-
Public Transportation Account	3,446,841	94,086
Traffic Congestion Relief Program	3,247,054	7,584,327
Proposition IB	1,976,456	1,451,853
City of Sacramento	1,003,049	1,208,725
Homeland Security	555,355	674,699
Department of Transportation	253,776	208,677
Developer Fees	145,066	-
Sacramento Housing and Redevelopment	128,873	275,502
Transportation Enhancement Activities	38,915	672,067
Sacramento County	10,246	153,293
Local Transportation Funds	-	1,143,519
Other	198,831	208,826
Total state and local capital grants	36,481,569	29,380,939
Total state and local grants	$ 94,590,735	$ 87,515,578

ADVANCES FROM OTHER GOVERNMENTS

Advances at June 30, consisted of the following:

	2011	2010
Developer Fees	$ 12,557,547	$ 12,682,866
Proposition IB	11,382,141	9,693,760
Laguna Facilities District	543,277	543,277
Other	239,190	285,462
Total advances from other governments	$ 24,722,155	$ 23,205,365

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

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:

	2011	2010
Fare Revenues	$ 28,967,228	$ 30,863,701
Local Fund Supplementation (Measure A)	2,029,699	3,663,358
Total Revenues	$ 30,996,927	$ 34,527,059
Operating Expenses	$ 152,794,748	$ 166,270,415
Less Allowable Exclusions: Depreciation and Amortization	(31,238,071)	(30,870,183)
Net Operating Expenses	$ 121,556,677	$ 135,400,232
Fare Revenue Ratio	25.50%	25.50%

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.

During the year ended June 30, 2010, the District's Board of Directors approved a two year Retirement Incentive Program. The effects of this program was recognized in the actuary valuation report dated July 1, 2010.

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. The ATU/IBEW Plan and the Salaried Plan issues a publicly available combined financial report that includes financial statements and required supplementary information. During the year ended June 30, 2010, the pension plans commingled their investments as allowed by the bargaining agreements to lower costs. The report 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.

10. PENSION PLANS (continued)

FUNDING POLICY

The District contributed 100% of an actuarially determined rate; the rates for the fiscal year ended June 30, 2011, based on the actuarial valuation dated July 1, 2009, were 19.42% or $6,809,247 and 20.30% or $3,717,655 of annual covered payroll for the ATU/IBEW and Salaried Plans, respectively. Contribution rates for the fiscal year ended June 30, 2010, based on the actuarial valuation dated July 1, 2008, were 17.83% or $7,425,798 and 19.95% or $4,268,586 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.

ANNUAL PENSION COST

The annual required contributions for both the ATU/IBEW Plan and Salaried Plan were determined as part of the July 1, 2009 and July 1, 2008 actuarial valuation using the entry age actuarial cost method. The July 1, 2009 and July 1, 2008 actuarial valuation reports were used to determine the contribution rate for fiscal year ended June 30, 2011 and June 30, 2010, respectively. The remaining amortization of the unfunded liability at June 30, 2010 is 24 years and 26 years at June 30, 2009.

The July 1, 2010 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.

10. PENSION PLANS (Continued)

The District's annual pension cost, the percentage of annual pension cost contributed to the plans, and the net pension obligation for the past three fiscal years were as follows:

Ficsal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
ATU/IBEW Employees' Plan:			
6/30/2009	$ 6,937,170	100.0%	-
6/30/2010	7,425,798	100.0%	-
6/30/2011	6,809,060	100.0%	-
Salaried Employees' Plan:			
6/30/2009	$ 3,819,900	100.0%	-
6/30/2010	4,268,586	100.0%	-
6/30/2011	3,717,655	100.0%	-
Total ATU/IBEW and Salaried Employees' Plans:			
6/30/2009	$ 10,757,070	100.0%	-
6/30/2010	11,694,384	100.0%	-
6/30/2011	10,526,715	100.0%	-

FUNDING STATUS AND FUNDING PROGRESS

The funded status of the plans as of July 1, 2010 is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Underfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
ATU/IBEW Employees' Plan:						
6/30/2010	$ 134,517,986	$ 190,222,989	$ 55,705,003	70.7%	$ 38,342,969	145.3%
Salaried Employees' Plan:						
6/30/2010	$ 50,994,346	$ 86,869,623	$ 35,875,277	58.7%	$ 19,466,160	184.3%

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.

11. POST-EMPLOYMENT BENEFITS

DESCRIPTION OF THE PLANS

The District provides health care benefits under the provisions of the Personnel Rules and Procedures for active and retired members of AEA, AFSCME, and MCEG. The District also provides life insurance benefits to active and retired members of the AEA, AFSCME, MCEG, ATU and IBEW. Beginning on May 1, 2011 the active and retired members of the ATU were provided certain health care benefits. Beginning July 1, 2011 the active and retired members of the IBEW will be provided certain health care benefits. The benefits are mandated by contracted agreement between the District and the respective employee groups and may be amended at any time. 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 under the California Employer's Retiree Benefit Trust Program (CERBT) to prefund the health care benefits for the AEA, AFSCME, and MCEG and life insurance benefits for the AEA, AFSCME, MCE, ATU, and IBEW active and retired members. 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 Post-Employment 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 District received Board approval on July 25, 2011 to create a sub-account within the AEA, AFSCME, and MCEG's irrevocable trust to prefund the ATU's required contribution for their health benefits. The obligation of the District to contribute to the plans is established by the Board of Directors. The District currently funds the OPEB at 100% of the ARC.

The District contributes for retired members of AEA, AFSCME, and MCEG 92% of the cost for plan members hired after 1993, and 100% for plan members hired prior to 1994. The District is required to contribute for retired members of ATU the minimum required contribution set under the Public Employees' Medical & Hospital Care Act (PEMHCA). As of June 30, 2011 no contribution was required for the ATU health benefits. A total of four hundred and ninety-seven and one hundred forty-six employees and/or their beneficiaries were eligible to receive such benefits at June 30, 2011, and 2010, 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.

11. POST-EMPLOYMENT BENEFITS (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION FOR THE HEALTH BENEFITS FOR THE AEA, AFSCME, AND MCEG AND THE LIFE INSURANCE BENEFITS FOR ALL GROUPS

The ARC for the fiscal year ended June 30, 2011 was determined as part of the July 1, 2010 actuarial valuation. The ARC amount was $2,192,523. For the fiscal year ended June 30, 2010, the District's annual OPEB cost (expense) was $2,779,579. 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:

	2011	2010
Annual required contribution	$ 2,192,523	$ 2,779,579
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost (expense)	2,192,523	2,779,579
Contributions Made	(2,192,523)	(2,779,579)
Increase (Decrease) in net OPEB obligation	$ -	$ -

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, 2011 and the two preceding years were as follows:

Ficsal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 2,751,016	154.8%	$ -
6/30/2010	2,779,579	100.0%	-
6/30/2011	2,192,523	100.0%	-

FUNDING STATUS AND FUNDING PROGRESS

The funded status of the plan as of July 1, 2010, was as follows:

Actuarial accrued liability (AAL)	$ 28,992,683
Actuarial value of plan assets	4,417,079
Unfunded actuarial accrued liability (UAAL)	$ 24,575,604
Funded Ratio (actuarial value of plan assets/AAL)	15.24%
Covered payroll (active plan members)	$ 17,262,633
UAAL as a percentage of covered payroll	142.36%

11. POST-EMPLOYMENT BENEFITS (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION FOR THE ATU HEALTH BENEFITS

The ARC for the fiscal year ended June 30, 2011 was determined as part of the July 1, 2009 actuarial valuation. As of June 30, 2011, there was no ARC. 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:

	2011
Annual required contribution	$ -
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	-
Contributions Made	-
Increase (Decrease) in net OPEB obligation	$ -

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, 2011 and the two preceding years were as follows:

Ficsal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$ -	0.0%	$ -

FUNDING STATUS AND FUNDING PROGRESS

The funded status of the plan as of May 1, 2011, was as follows:

Actuarial accrued liability (AAL)	$ 4,448,122
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 4,448,122
Funded Ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	$ 37,904,888
UAAL as a percentage of covered payroll	11.73%

11. POST-EMPLOYMENT 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, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.0% for calendar year 2011, reduced by decrements of 0.5% a year to an ultimate rate of 4.5% at 2018 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.

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, 2011:

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:		
Perils	Up to $250,000	$250,000 to $250,000,000
Collision	Up to $500,000	$500,000 to $250,000,000
Flood	Up to $250,000	$250,000 to $10,000,000

* Includes revenue and non-revenue vehicles.

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 $19,045,267 and $17,935,077 reported at June 30, 2011 and 2010, 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. As of June 30, 2011 and 2010, the Public Liability and Property Damage (PLPD) liability is discounted using a discount factor of 2.0%. PLPD is discounted due to the amount the District holds in a reserve fund of $4,283,589 and $4,186,100 at June 30, 2011 and 2010, respectively. Workers' Compensation liability is not discounted.

These claim estimates are actuarially determined and based on the requirements of GASB Statements No. 10 and 30, which require 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, 2011 and 2010 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, 2011	$ 17,935,077	$ 5,254,381	$ (4,144,191)	$ 19,045,267
June 30, 2010	21,850,000	83,585	(3,998,508)	17,935,077

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 $16,811,251 and $25,227,690 at June 30, 2011, and 2010, respectively. Federal, state, and local grant funds have been approved for such construction.

13. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

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, 2011 and 2010 are as follows:

Balance July 1, 2009	$ -
Receipts	1,058,574
Expenses:	
Bus Maintenance Facility	(533,055)
Replace Neighborhood Ride Vehicles (hybrids)	(265,289)
LRT Crossing Enhancements	(139,293)
Siemens Mid Life Overhaul	(57,416)
ADA Transit Plan Improvements	(27,391)
Ahern/12th St Crossing Improvement	(20,036)
UTDC Retrofit	(16,094)
Balance June 30, 2010	$ -
Balance July 1, 2010	$ -
Receipts	1,102,721
Expenses:	
Bus Automated Vehicle Location	(336,080)
LRT Crossing Enhancements	(229,852)
UTDC Retrofit	(140,027)
Bus Maintenance Facility	(122,657)
ADA Transit Plan Improvements	(91,728)
Replace Neighborhood Ride Vehicles (hybrids)	(82,571)
South Line Phase 2 Extension	(67,793)
Ahern/12th St Crossing Improvement	(28,366)
Siemens Mid Life Overhaul	(3,547)
Bus Lot Improvements	(100)
Balance June 30, 2011	$ -

Sacramento Regional Transit District
ATU/IBEW Pension Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2008	$ 134,022,855	$ 171,092,073	$ 37,069,218	78.3%	$ 44,916,133	82.5%
6/30/2009	134,537,202	179,294,287	44,757,085	75.0%	43,626,223	102.6%
6/30/2010	134,517,986	190,222,989	55,705,003	70.7%	38,342,969	145.3%

The District's contributions 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 SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS
AS OF JUNE 30, 2011

Sacramento Regional Transit District
Salaried Pension Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2008	$ 48,659,603	$ 79,072,546	$ 30,412,943	61.5%	$ 21,114,983	144.0%
6/30/2009	50,164,727	82,942,062	32,777,335	60.5%	22,601,919	145.0%
6/30/2010	50,994,346	86,869,623	35,875,277	58.7%	19,466,160	184.3%

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 SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS
AS OF JUNE 30, 2011

Sacramento Regional Transit District
Other Post Employment Benefits (OPEB) Trust
For Active and Retired Members of MCEG, AEA, AFSCME

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2006	$ -	$ 21,918,000	$ 21,918,000	0.00%	$ 21,180,000	103.5%
7/1/2008	-	28,837,480	28,837,480	0.00%	19,292,251	149.5%
7/1/2010	4,417,079	28,992,683	24,575,604	15.24%	17,262,633	142.4%

Sacramento Regional Transit District
Other Post Employment Benefits (OPEB) Trust
For Active and Retired Members of ATU

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2009	$ -	$ 4,448,122	$ 4,448,122	0.00%	$ 37,904,888	11.7%

The District is currently funding the OPEB plans at 100% of the ARC. No contributions are required by plan members.

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 2011

	ATU/IBEW	Salaried	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 5,651,429	$ 2,157,837	$ 7,809,266
Interest, Dividend and Other Receivables	2,321,975	902,430	3,224,405
Total Current Assets	7,973,404	3,060,267	11,033,671
Long-Term Investments:			
Equity Securities	85,233,720	32,539,344	117,773,064
Fixed Income Securities	52,097,490	19,909,549	72,007,039
Total Long-Term Investments	137,331,210	52,448,893	189,780,103
Total Assets	145,304,614	55,509,160	200,813,774
LIABILITIES			
Liabilities:			
Securities Purchased Payable	7,070,008	2,699,371	9,769,379
Accounts Payable	643,796	209,363	853,159
Total Liabilities	7,713,804	2,908,734	10,622,538
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 137,590,810	$ 52,600,426	$ 190,191,236

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 2010

	ATU/IBEW	Salaried	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 6,277,647	$ 2,388,000	$ 8,665,647
Interest, Dividend and Other Receivables	1,375,675	538,561	1,914,236
Total Current Assets	7,653,322	2,926,561	10,579,883
Long-Term Investments:			
Equity Securities	69,105,861	26,178,410	95,284,271
Fixed Income Securities	47,104,104	17,948,543	65,052,647
Total Long-Term Investments	116,209,965	44,126,953	160,336,918
Total Assets	123,863,287	47,053,514	170,916,801
LIABILITIES			
Liabilities:			
Securities Purchased Payable	4,227,916	1,612,668	5,840,584
Accounts Payable	504,710	179,156	683,866
Total Liabilities	4,732,626	1,791,824	6,524,450
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 119,130,661	$ 45,261,690	$ 164,392,351

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	ATU/IBEW	Salaried	Total
ADDITIONS			
Contributions:			
Employer	$ 6,809,060	$ 3,717,655	$ 10,526,715
Total Contributions	6,809,060	3,717,655	10,526,715
Investment Income:			
Net Increase in Fair Value of Investments	20,927,532	7,924,474	28,852,006
Interest, Dividends, and Other Income	3,168,644	1,213,029	4,381,673
Investment Expenses	(853,215)	(356,503)	(1,209,718)
Net Investment Gain	23,242,961	8,781,000	32,023,961
Total Additions	30,052,021	12,498,655	42,550,676
DEDUCTIONS			
Benefits Paid to Participants	11,504,894	5,045,824	16,550,718
Administrative Expenses	86,978	114,095	201,073
Total Deductions	11,591,872	5,159,919	16,751,791
Increase in Net Assets	18,460,149	7,338,736	25,798,885
Net Assets Held in Trust for Pension Benefits - July 1	119,130,661	45,261,690	164,392,351
Net Assets Held in Trust for Pension Benefits - June 30	$ 137,590,810	$ 52,600,426	$ 190,191,236

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ATU/IBEW	Salaried	Total
ADDITIONS			
Contributions:			
Employer	$ 7,425,798	$ 4,268,586	$ 11,694,384
Total Contributions	7,425,798	4,268,586	11,694,384
Investment Income:			
Net Decrease in Fair Value of Investments	13,872,976	4,964,975	18,837,951
Interest, Dividends, and Other Income	3,282,591	1,243,003	4,525,594
Investment Expenses	(909,220)	(344,525)	(1,253,745)
Net Investment Loss	16,246,347	5,863,453	22,109,800
Total Additions	23,672,145	10,132,039	33,804,184
DEDUCTIONS			
Benefits Paid to Participants	9,743,381	4,408,637	14,152,018
Administrative Expenses	43,576	50,448	94,024
Total Deductions	9,786,957	4,459,085	14,246,042
Increase in Net Assets	13,885,188	5,672,954	19,558,142
Net Assets Held in Trust for Pension Benefits - July 1	105,245,473	39,588,736	144,834,209
Net Assets Held in Trust for Pension Benefits - June 30	$ 119,130,661	$ 45,261,690	$ 164,392,351

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.

CONTENTS **Page**

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.*

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net Assets									
Invested in Capital Assets, Net of Related Debt	$ 539,090,155	$ 690,299,311	$ 717,156,080	$ 726,108,985	$ 743,350,268	$ 752,242,824	$ 771,044,618	$ 770,303,653	$ 778,152,299
Restricted for Capital Projects	6,099,645	3,068,545	2,682,164	2,103,382	1,927,944	1,699,248	2,580,209	1,840,943	1,839,934
Unrestricted	13,372,312	3,705,484	10,460,999	1,807,267	9,881,934	2,695,069	1,445,707	(2,092,621)	(4,287,241)
Total Net Assets	$ 558,562,112	$ 697,073,340	$ 730,299,243	$ 730,019,634	$ 755,160,146	$ 756,637,141	$ 775,070,534	$ 770,051,975	$ 775,704,992

Source: Comprehensive Annual Financial Report

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
Fiscal Year

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating Revenues									
Fares	$ 21,744,856	$ 22,003,511	$ 21,101,127	$ 25,071,791	$ 27,101,261	$ 29,865,810	$ 32,571,459	$ 30,863,701	$ 28,967,228
Operating Expenses									
Labor and Fringe Benefits	62,832,940	72,483,379	79,366,137	85,367,863	85,886,946	93,779,919	91,580,300	91,203,130	79,365,716
Professional and Other Services	17,028,922	19,552,537	21,418,260	23,555,360	23,612,684	26,504,694	26,584,306	24,797,197	20,719,781
Spare Parts and Supplies	10,062,997	11,091,794	14,467,760	18,444,824	14,941,288	12,187,760	12,950,141	11,043,792	8,523,578
Utilities	3,172,557	4,349,380	4,388,924	5,578,806	4,944,021	5,550,144	5,544,739	5,530,888	5,741,319
Casualty and Liability Costs	10,661,690	9,308,192	7,175,773	7,787,626	9,773,759	11,159,479	7,104,114	2,286,204	6,540,245
Depreciation and Amortization	17,081,939	23,233,378	28,120,749	28,840,311	28,434,288	28,445,407	30,698,602	30,870,183	31,238,071
Indirect Costs Allocated to Capital Programs	-	-	-	-	-	-	(2,171,760)	(862,965)	(881,316)
Other	1,414,831	1,864,053	2,092,273	1,890,293	1,970,575	1,896,171	1,680,016	1,401,986	1,547,354
Total Operating Expenses	122,255,876	141,882,713	157,029,876	171,465,083	169,563,561	179,523,574	173,970,458	166,270,415	152,794,748
Operating Loss	(100,511,020)	(119,879,202)	(135,928,749)	(146,393,292)	(142,462,300)	(149,657,764)	(141,398,999)	(135,406,714)	(123,827,520)
Non-Operating Revenues (Expenses)									
Operating Assistance:									
State and Local	52,242,163	66,877,107	70,453,388	78,679,574	92,839,043	84,557,745	70,724,997	58,134,639	58,109,166
Federal	14,105,618	11,852,702	24,400,487	19,413,267	21,011,076	22,804,156	30,787,544	34,551,703	27,373,904
Investment Income	2,203,817	1,076,396	842,381	3,881,756	7,907,986	8,145,081	8,910,839	6,438,505	4,113,266
Interest Expense	(459,450)	(469,877)	(633,675)	(3,805,198)	(7,900,469)	(7,951,190)	(9,154,035)	(6,792,061)	(4,401,251)
Pass Through to Subrecipients	(227,046)	(751,881)	(527,735)	(2,570,421)	(1,790,639)	(1,377,945)	(478,468)	(3,637,885)	(4,042,535)
Contract Services	5,561,255	5,697,324	4,969,841	4,992,826	5,295,200	4,732,120	4,311,430	4,598,650	4,361,810
Other	1,559,822	1,728,354	1,507,615	1,198,073	891,015	4,336,186	3,304,469	2,758,212	3,946,375
Total Non-Operating Revenues	74,986,179	86,010,125	101,012,302	101,789,877	118,253,212	115,246,153	108,406,776	96,051,763	89,460,735
Loss Before Capital Contributions	(25,524,841)	(33,869,077)	(34,916,447)	(44,603,415)	(24,209,088)	(34,411,611)	(32,992,223)	(39,354,951)	(34,366,785)
Capital Contributions									
State and Local	59,605,048	57,025,643	14,778,557	22,287,387	21,267,294	29,606,239	42,441,018	29,380,939	36,481,569
Federal	63,172,602	115,451,448	54,333,899	21,321,013	28,082,306	4,575,184	8,984,598	4,955,453	3,538,233
Increase (Decrease) in Net Assets before Extraordinary Item	97,252,809	138,608,014	34,196,009	(995,015)	25,140,512	(230,188)	18,433,393	(5,018,559)	5,653,017
Extraordinary Loss on Early Extinguishment of Debt	-	(96,786)	-	-	-	-	-	-	-
Special Items	-	-	-	715,406	-	-	-	-	-
Increase (Decrease) in Net Assets after Extraordinary Item	$ 97,252,809	$ 138,511,228	$ 34,196,009	$ (279,609)	$ 25,140,512	$ (230,188)	$ 18,433,393	$ (5,018,559)	$ 5,653,017

Source: Comprehensive Annual Financial Report

Operating Revenues by Source
Last Nine Fiscal Years

Fiscal Year	Farebox	Fare Prepayment/ Outlet Sales	Special/ Contracted	Other	Total
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
2010	8,219,357	20,876,281	1,747,750	20,313	30,863,701
2011	7,572,658	19,550,718	1,823,577	20,275	28,967,228

Total Revenue Source: Comprehensive Annual Financial Report

Principal Fare Revenue Payers
Current Year and Nine Years Ago

	Fiscal Year 2011 Sales		Fiscal Year 2002 Sales	
Customers	Amount	%	Amount	%
Department of Human Assistance	$ 2,121,051	7.32%	$ 1,175,412	5.38%
Raley's Family of Fine Stores	1,353,520	4.67%	655,153	3.00%
Los Rios Community College District	1,017,703	3.51%	-	0.00%
Department of Transportation	1,046,008	3.61%	511,013	2.34%
Employment Development Department	973,790	3.36%	547,430	2.51%
California Environmental Protection Agency	834,068	2.88%	-	0.00%
Alta California Regional Center	758,500	2.62%	524,176	2.40%
Franchise Tax Board	751,620	2.59%	-	0.00%
California State University Sacramento	738,230	2.55%	387,024	1.77%
Health & Human Services	582,750	2.01%	443,862	2.03%
Ralphs	-	0.00%	569,127	2.60%
Water Resources Department	-	0.00%	813,672	3.72%
Department of Motor Vehicles	-	0.00%	331,293	1.52%
Subtotal (10 Largest)	10,177,240	35.13%	5,958,162	27.27%
Balance from other customers	18,789,988	64.87%	15,890,661	72.73%
Grand Total	$ 28,967,228	100.00%	$ 21,848,823	100.00%

Total Revenue Source: Comprehensive Annual Financial Report

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Certificates of Participation 1992	Certificates of Participation 2003	Line of Credit	Total Debt	Six-County Region Percentage of Personal Income	Six-County Region Per Capita
2002	$ 8,100,000	$ -	$ -	$ 8,100,000	0.01%	3.92
2003	5,400,000	-	-	5,400,000	0.01%	2.55
2004	-	18,000,000	-	18,000,000	0.02%	8.36
2005	-	16,630,000	-	16,630,000	0.02%	7.62
2006	-	15,230,000	8,000,000	23,230,000	0.03%	10.51
2007	-	13,805,000	-	13,805,000	0.02%	6.17
2008	-	12,335,000	10,500,000	22,835,000	0.02%	10.08
2009	-	10,805,000	20,000,000	30,805,000	0.03%	13.43
2010	-	9,200,000	11,100,000	20,300,000	Not available	8.78
2011	-	7,510,000	7,600,000	15,110,000	Not available	6.48

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.

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 2011 CAFR Page No.	FY 2011 Adopted Budget
1	Management Discussion and Analysis, Audited Financial Statements and Statistical Information		3-81	
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		75,76,77,78	
	Historical Operating Results		14,64,65	
	Farebox Recovery Ratios		44,75	
	Historical Nonoperating Revenues – 10 year funds		73,74	
	Measure A Funding Trends		43,74	
	LTF Revenue Funding Trends		43,74	
	STA Funds Available to and Utilized by the District		43,74	
	Federal Grant Moneys Available to the District		42,73	
	Adopted Operating Budget			39
	Capital Project Expediture Plan			109

Pledged Revenue Coverage
Last Nine Fiscal Years

Fiscal Year	Fare Revenue	Non-Fare Revenues	Total Revenue	Less Operating Expense	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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
2010	30,863,701	96,360,868	127,224,569	131,552,128	(4,327,559)	1,605,000	472,533	(2.08)
2011	28,967,228	89,726,163	118,693,391	120,627,827	(1,934,436)	1,690,000	392,282	(0.93)

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.

Demographic and Economic Indicators
Last Ten Fiscal Years

	Population[1,2]		Personal Income[1,2] (In Thousands)		Per Capital Personal Income[1]		Unemployment Rate[3]	
	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region
2002	1,299,105	2,066,069	$ 40,305,530	$ 66,008,600	$ 31,026	$ 31,949	5.70%	5.90%
2003	1,324,971	2,114,581	42,564,972	69,870,550	32,125	33,042	5.90%	6.10%
2004	1,344,279	2,154,175	45,282,367	75,034,013	33,685	34,832	5.60%	5.80%
2005	1,354,695	2,183,363	47,563,421	79,258,385	35,110	36,301	5.00%	5.20%
2006	1,362,328	2,210,376	50,165,916	84,523,505	36,824	38,239	4.80%	4.90%
2007	1,373,585	2,238,314	55,572,684	88,921,252	40,458	39,727	5.40%	5.60%
2008	1,386,469	2,266,130	54,332,238	91,971,472	39,187	40,585	7.10%	7.30%
2009	1,400,949	2,292,894	53,560,115	90,923,575	38,231	39,655	11.30%	11.50%
2010	1,417,259	2,312,406	Not available	Not available	Not available	Not available	12.80%	13.00%
2011	1,428,355	2,333,271	Not available	Not available	Not available	Not available	12.50%	12.80%

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

1. 2002-2009 U.S. Department of Commerce, Bureau of Economic Analysis, *CA1-3 Personal income population, per capital personal income.*
2. 2010-2011 State of California, Department of Finance, E-1 City, County and State Population Estimates, 2010–2011.
3. State of California, Employment Development Department, Labor Force & Employment Data

Principal Employers
Current Year and Ten Years Ago

Employer	Fiscal Year 2011 Employees	Fiscal Year 2011 Rank	Fiscal Year 2011 Percentage of Total County Employment	Fiscal Year 2002 Employees	Fiscal Year 2002 Rank	Fiscal Year 2002 Percentage of Total County Employment
State of California	70,937	1	12.06%			
Sacramento County	11,300	2	1.92%			
UC Davis Health System	8,580	3	1.46%			
Sutter Health Sacramento	6,948	4	1.18%	2,985	5	0.50%
Mercy/Catholic Healthcare West	6,942	5	1.18%	2,500	7	0.42%
Intel Corporation	6,515	6	1.11%	5,589	2	0.94%
Kaiser Permanente	6,367	7	1.08%			
Elk Grove Unified School District	5,619	8	0.96%	2,816	6	0.47%
San Juan Unified School District	4,600	9	0.78%			
Sacramento City Unified School District	4,500	10	0.77%			
Hewlett-Packard				6,132	1	1.03%
Raley’s Inc.				3,700	3	0.62%
Pacific Bell				3,323	4	0.56%
Wal-Mart				2,160	8	0.36%
PRIDE Industries				2,100	9	0.35%
Albertson's Inc.				2,036	10	0.34%
Total	132,308		22.99%	33,341		5.59%

Sources: Fiscal Year 2011 Sacramento Business Journal
Fiscal Year 2002, Sacramento Area Commerce and Trade Organization

District Profile
As of June 30, 2011

Date the Authority began Operations	April 1, 1973
Form of Governance	Board of Directors, with General Manager
Metropolitan Population	1.4 million
Total Employees	904
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 Bus Routes	64
Number of Rail Lines	2
Miles of Rail	37.5
Weekday Bus Revenue Service Miles	22,059
Weekday Rail Revenue Service Miles	12,476
Average Weekday Bus and Rail Riders	91,030
Number of Vehicles in Service	182 Compressed Natural Gas (CNG) Buses 30 CNG Buses (Reserve) 76 Rail Vehicles 17 Shuttle Vans
Paratransit	102 Paratransit Vehicles
Park and Ride Lots	18
Bus and Light Rail Transfer Stations	31
Bus Stops	3,300+
Rail Stations	48

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 funding sources, followed by a brief description of each source.

	FEDERAL FUNDS						
	Federal Transit Funds					Federal Highway Discretionary Funds	ARRA
	Section 5307	Section 5309 Fixed Guideway	Section 5309 Bus	Section 5309 New Start	Section 5316/5317 JARC/NF		
2002	$ 13,931,478	$ 3,239,800	$ 990,029	$ 324,724	$ 970,342	$ 18,600,000	$ -
2003	14,349,591	3,410,682	1,229,598	-	1,241,009	3,397,600	-
2004	13,875,713	3,116,717	491,130	-	736,770	3,173,607	-
2005	13,650,000	2,978,598	485,888	-	1,082,863	8,000,000	-
2006	14,840,853	3,452,070	870,000	-	430,000	3,602,000	-
2007	14,250,000	4,217,137	401,280	-	425,047	1.363,000	-
2008	17,177,791	4,562,242	434,720	4,410,000	200,000	7,100,000	-
2009	17,981,339	4,797,633	451,440	6,930,000	483,148	1,363,000	(1) 16,240,000
2010	19,028,000	4,638,430	-	38,000,000	28,898	2,300,000	(2) 15,057,612
2011	17,880,540	5,582,436	451,440	-	285,313	-	-

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 com-muter 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 (JARC): 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.

Section *5317 New Freedom* (NF): Funds to reduce barriers to transportation services and expand the transportation mobility options available to people with disabilities beyond the requirements of the Americans with Disabilities Act (ADA) of 1990.

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.
(2) Section 5307 preventive maintenance funds.

TEN YEAR FUNDING HISTORY

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

	STATE FUNDS		LOCAL FUNDS		
	State Transportation Improvement Program	Other	Measure A	Local Transportation Fund	State Transit Assistance
2002	$ 34,432,135	$ 7,900,000	$ 32,949,451	$ 33,571,008	$ 2,700,000
2003	-	3,436,400	33,058,743	31,362,453	2,664,281
2004	-	-	33,020,730	33,444,322	2,431,270
2005	-	-	33,946,336	35,243,504	2,679,648
2006	44,368,000	-	41,846,466	37,861,087	5,818,675
2007	-	70,000	43,775,228	39,400,100	(1) 15,758,692
2008	10,125,000	19,512,000	47,605,525	32,459,480	8,541,278
2009	-	1,558,699	35,372,181	33,056,759	4,908,090
2010	-	7,979,439	79,836,086	24,698,724	5,151,088
2011	10,128,000	3,650,232	50,285,058	27,382,646	5,304,891

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), Traffic Congestion Relief Program funds approved in the FY 2000 State Budget for specific District capital projects, and Proposition 1B funds approved for funding in FY 2007.

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.

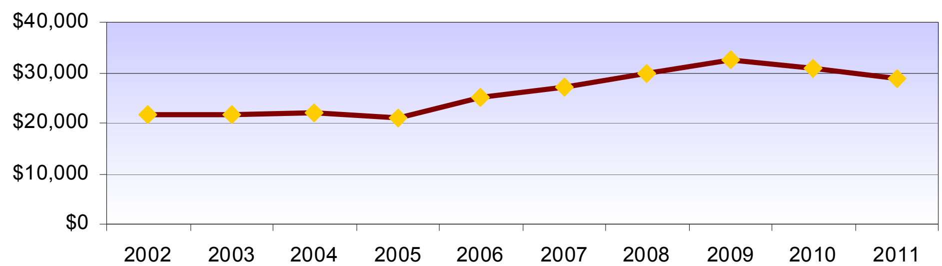
State Transit Assistance Funds: Funds generated by the sales tax on gasoline and diesel fuel sales. These funds are disbursed to transit agencies for a variety of transit capital and operating support needs.

(1) Of the $15.7 million, $4.7 milion was appropriated for operating purposes with the remaining amounts assigned to various capital projects.

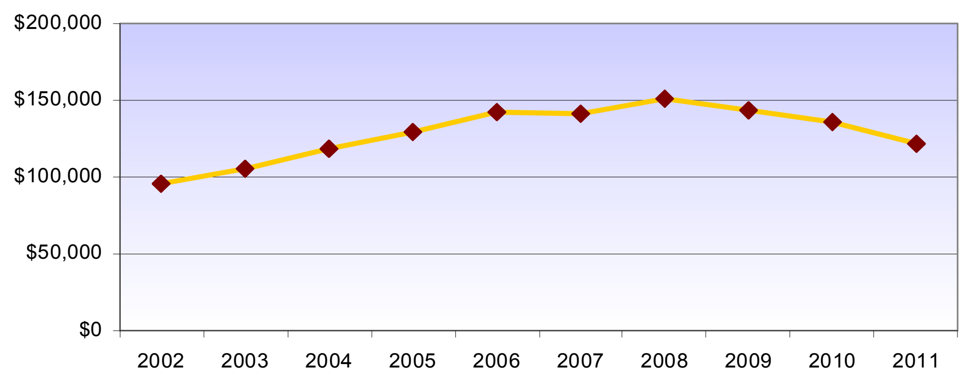
FARE RECOVERY
LAST TEN FISCAL YEARS
(in Thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fare Revenue	$21,848	$21,745	$22,004	$21,101	$25,072	$27,101	$29,866	$32,571	$30,864	$28,967
Local Fund Supplementation	2,500	5,074	8,252	11,771	11,297	8,887	8,659	3,963	3,663	2,030
Total Operating Expenses	95,484	105,173	118,650	128,909	142,625	141,129	151,079	143,271	135,400	121,557
Fare Recovery Ratio	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%

FARE REVENUE
(inThousands)



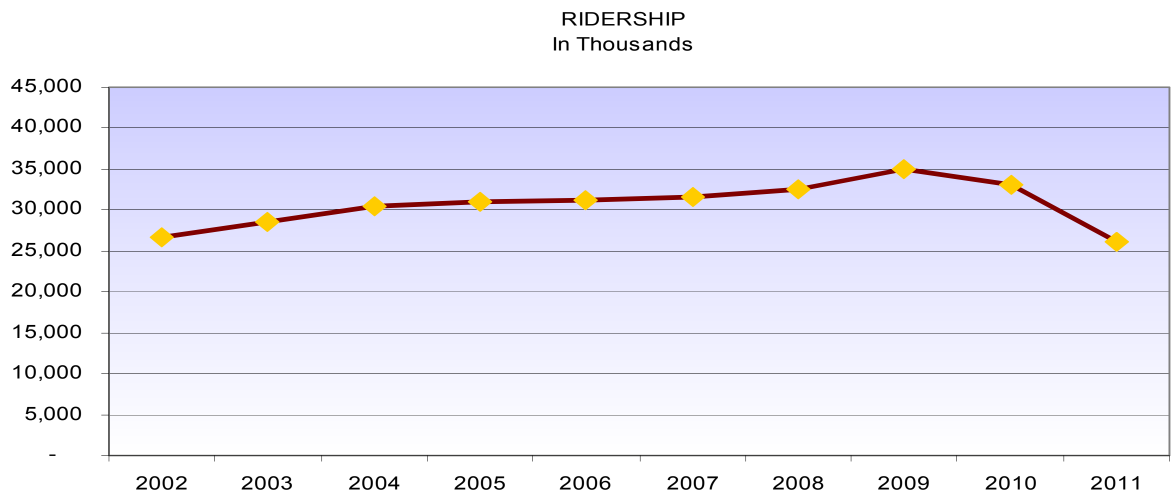
TOTAL OPERATING EXPENSES
(In Thousands)



Source: Comprehensive Annual Financial Report

RIDERSHIP
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ridership (in 000's)	26,610	28,616	30,469	30,938	31,230	31,951	32,951	35,050	33,060	26,161
% change	(4.05%)	7.54%	6.48%	1.54%	0.94%	2.31%	3.13%	6.37%	(5.68%)	(20.87%)



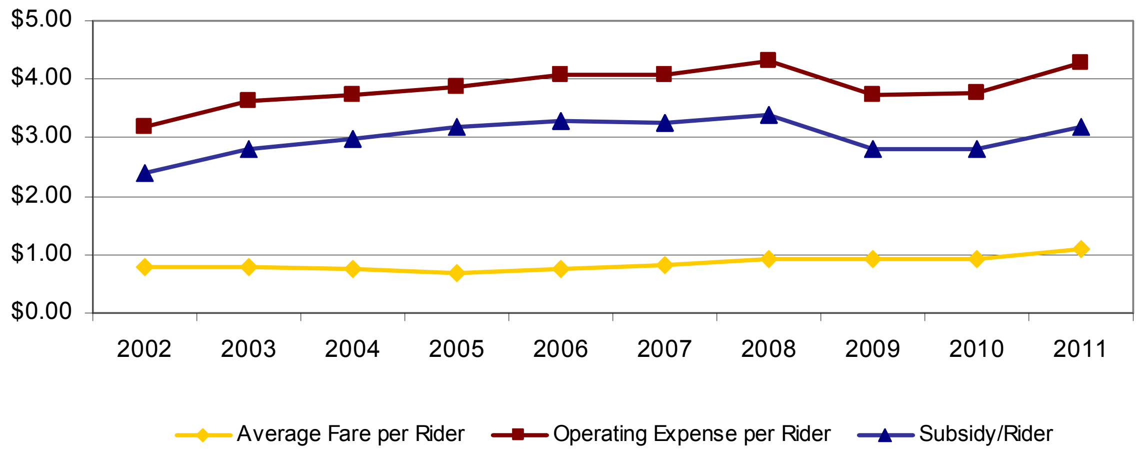
Source: District Planning Department
NTD Statistics

OPERATING SUBSIDY
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Average Fare per Rider	$0.79	$0.80	$0.74	$0.68	$0.77	$0.83	$0.92	$0.93	$0.93	$1.11
Operating Expense per Rider [1]	$3.20	$3.62	$3.73	$3.87	$4.07	$4.07	$4.30	$3.75	$3.76	$4.28
Subsidy/Rider	$2.41	$2.82	$2.99	$3.19	$3.30	$3.24	$3.38	$2.82	$2.82	$3.17

[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

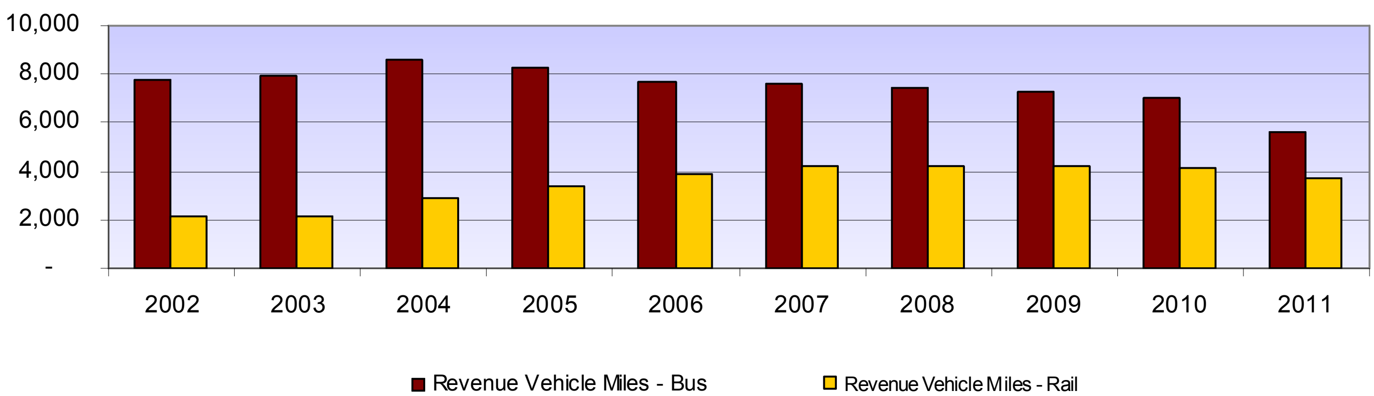
SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

SERVICE PROVIDED

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BUS										
Revenue Vehicle Miles - Bus*	7,738	7,923	8,566	8,239	7,688	7,638	7,431	7,244	7,032	5,590
Revenue Vehicle Hours*	600.9	614.7	696.7	749.0	710.9	702.8	677.7	652.0	628.2	501.2
# Vehicles	229	247	275	275	275	269	271	271	233	229
RAIL										
Revenue Vehicle Miles - Rail*	2,128	2,171	2,879	3,429	3,888	4,128	4,267	4,213	4,120	3,697
Revenue Vehicle Hours*	103.7	105.8	149.8	197.3	208.9	209.7	216.7	213.1	208.6	191.1
Train Revenue Hours*	46.4	46.4	65.4	83.3	81.5	81.6	81.9	81.7	81.4	69.3
# of Vehicles	36	36	76	76	76	76	76	76	76	76

SERVICE PROVIDED



SERVICE CONSUMED

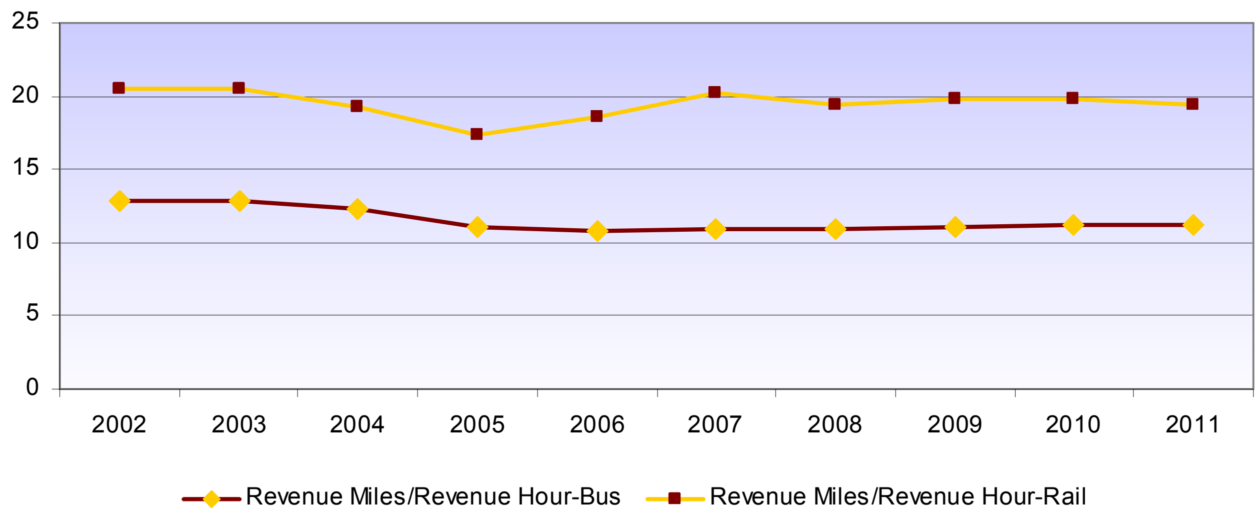
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BUS										
Passengers*	18,069	19,756	19,447	18,929	16,778	17,461	17,466	17,735	17,579	13,617
Passenger Miles*	72,297	75,325	67,701	61,747	54,559	54,551	57,444	59,001	61,417	47,525
RAIL										
Passengers*	8,541	8,859	11,022	12,009	14,452	14,490	15,485	17,315	15,481	12,544
Passenger Miles*	46,711	47,365	56,948	60,682	78,181	78,760	85,807	93,087	83,409	72,860
TOTAL										
Passengers*	26,610	28,616	30,469	30,938	31,230	31,951	32,951	35,050	33,060	26,161
Passenger Miles*	119,008	122,690	124,649	122,430	132,740	133,311	143,251	152,088	144,826	120,385
FLEET										
Bus	229	247	275	275	275	269	271	271	233	229
Rail	36	36	76	76	76	76	76	76	76	76
TOTAL EMPLOYEES	952	1,161	1,154	1,164	1,198	1,162	1,125	1,087	907	901

Source: District Planning Department; NTD Statistics

SERVICE PERFORMANCE DATA (Continued)
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenue Miles/Revenue Hour-Bus	13	13	12	11	11	11	11	11	11	11
Revenue Miles/Revenue Hour-Rail	21	21	19	17	19	20	19	20	20	19

SERVICE PERFORMANCE DATA



Source: District Planning Department; NTD Statistics

FARES
(As of June 30, 2011)

Single and Daily Pass Fares

Rider Type	Fare Type	Single Ride	Daily Pass
Age 19-61	Basic	$ 2.50	$ 6.00
Senior (62 & older)	Discount	$ 1.25	$ 3.00
Individuals with Disabilities	Discount	$ 1.25	$ 3.00
Medicare Cardholder	Discount	$ 1.25	$ 3.00
Student (age 5-18)	Discount	$ 1.25	$ 3.00

Pre-Paid Ticket Books

Fare Book Type	Fare Type	# of Tickets	Book Price
Single Fare	Basic	10	$ 25.00
Single Fare	Discount	10	$ 12.50
Daily Fare	Basic	10	$ 60.00
Daily Fare	Discount	10	$ 30.00

Monthly Passes and Stickers

Fare/Rider Type	Price
Basic Monthly Pass	$ 100.00
Basic Semi-Monthly Pass	$ 50.00
Senior/Disabled Monthly Sticker	$ 50.00
Senior/Disabled Semi-Monthly Sticker	$ 25.00
Super Senior Monthly Sticker (age 75+)	$ 40.00
Student Semi-Monthly Sticker	$ 25.00
Yolo Express Sticker*	$ 25.00

**Yolobus Express stickers are available for transferring between RT and Yolobus Express buses to Davis,Winters, and Woodland. Requires an RT Monthly Pass.*

PERFORMANCE MEASURES

Performance Measures in Sacramento's Peer Transit Agencies

City, State	2000 Urban Area Population		2009 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)**	**$4.48**	**(4)**	**$10.98**	**(3)**	**$121.96**	**(3)**	**$3.55**	**(4)**	**20.7%**	**(5)**
Buffalo, NY	976,703	(39)	4.41	(5)	8.76	(6)	117.19	(4)	3.30	(6)	25.3%	(1)
Charlotte, NC	758,927	(48)	3.53	(7)	6.34	(8)	91.67	(8)	2.74	(7)	22.4%	(4)
Columbus, OH	1,133,193	(37)	4.26	(6)	8.59	(7)	106.93	(6)	3.48	(5)	18.2%	(6)
Long Beach, CA	11,789,487	(2)	2.25	(8)	9.53	(4)	98.75	(7)	1.73	(8)	23.3%	(3)
San Carlos, CA	3,228,605	(12)	6.55	(1)	13.94	(1)	155.58	(1)	5.38	(1)	17.9%	(7)
San Jose, CA	1,538,312	(25)	5.68	(2)	12.35	(2)	153.06	(2)	4.88	(2)	14.0%	(8)
Tacoma, WA	2,712,205	(14)	4.77	(3)	9.35	(5)	115.96	(5)	3.59	(3)	24.8%	(2)
Average for Bus Peers	**3,162,490**		**4.49**		**9.84**		**119.88**		**3.59**		**20.8%**	
RAIL PEERS												
Sacramento, CA	**1,393,498**	**(29)**	**2.91**	**(3)**	**11.97**	**(4)**	**236.58**	**(3)**	**1.98**	**(3)**	**31.9%**	**(5)**
Dallas, TX	4,145,659	(6)	5.47	(1)	20.71	(1)	441.08	(1)	4.76	(1)	12.9%	(7)
Denver, CO	1,984,889	(21)	2.58	(4)	6.42	(7)	123.55	(6)	1.43	(6)	44.5%	(2)
Portland, OR	1,583,138	(24)	2.46	(5)	13.22	(3)	197.15	(4)	1.60	(4)	35.0%	(3)
Salt Lake City, UT	887,650	(43)	2.17	(6)	8.74	(5)	109.28	(7)	1.45	(5)	33.3%	(4)
San Diego, CA	2,674,436	(15)	1.59	(7)	7.41	(6)	142.94	(5)	0.83	(7)	47.6%	(1)
San Jose, CA	1,538,312	(25)	5.40	(2)	17.50	(2)	289.45	(2)	4.60	(2)	14.8%	(6)
Average for Rail Peers	**2,135,681**		**3.28**		**12.33**		**217.24**		**2.45**		**31.4%**	

Source: National Transit Database, 2009 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 2009 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 Revenue Mile and Cost per Revenue Hour among its Bus peer transit agencies.
The District ranks 4th in Cost per Passenger and Subsidy per Passenger among its Bus peer transit agencies.
The District ranks 5th in Farebox Recovery Ratio among its Bus peer transit agencies.

Rail
The District ranks 3rd in Cost per Passenger, Cost per Revenue Hours and Subsidy per Passenger among its Rail peer transit agencies.
The District ranks 4th in Cost per Revenue Mile amount its Rail peer transit agencies.
The District ranks 5th in Farebox Recovery Ratio among its Rail peer transit agencies.

SACRAMENTO REGIONAL TRANSIT DISTRICT

REPORTS REQUIRED BY OMB CIRCULAR A-133 AND TRANSPORTATION DEVELOPMENT ACT

YEAR ENDED JUNE 30, 2011

SACRAMENTO REGIONAL TRANSIT DISTRICT

YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

SACRAMENTO REGIONAL TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Federal Agency Grant Identifying Number	Expenditures
U.S. Department of Transportation:			
Federal Transit Administration -			
Federal Transit Cluster			
Federal Transit - Capital Investment Grants	20.500	CA-05-0255	$ 5,582,440
Federal Transit - Capital Investment Grants	20.500	CA-04-0013	2,332,023
Federal Transit - Capital Investment Grants	20.500	CA-03-0806	271,173
Federal Transit - Capital Investment Grants	20.500	CA-03-0713	99,637
Federal Transit - Capital Investment Grants	20.500	CA-03-0630	80,612
Federal Transit - Capital Investment Grants	20.500	CA-03-0584	12,730
Federal Transit - Capital Investment Grants	20.500	CA-03-0689	3,768
Total 20.500			8,382,383
Federal Transit - Formula Grants	20.507	CA-90-Y893	17,480,542
Federal Transit - Formula Grants	ARRA 20.507	CA-96-X060	1,616,250
Federal Transit - Formula Grants	20.507	CA-90-Y356	859,642
Federal Transit - Formula Grants	20.507	CA-90-Y791	700,000
Federal Transit - Formula Grants	20.507	CA-90-Y471	592,555
Federal Transit - Formula Grants	20.507	CA-95-X029	520,068
Federal Transit - Formula Grants	20.507	CA-90-Y742	136,160
Federal Transit - Formula Grants	20.507	CA-90-Y161	74,567
Federal Transit - Formula Grants	20.507	CA-90-Y633	56,976
Federal Transit - Formula Grants	20.507	CA-90-Y289	36,500
Federal Transit - Formula Grants	20.507	CA-90-X942	5,150
Federal Transit - Formula Grants	20.507	CA-90-Y078	(160,448)
Total 20.507			21,917,962
Total Federal Transit Cluster			30,300,345
Jobs Access - Reverse Commute	20.516	CA-37-X065	301,135
Passed-through Sacramento Area Council of Governments:			
Jobs Access - Reverse Commute	20.516	CA-37-X134	239,489
Jobs Access - Reverse Commute	20.516	CA-37-X114	28,898
Total 20.516			569,522
Passed-through Sacramento Area Council of Governments:			
Highway Planning & Construction	20.205	03-6085R	42,270
Total 20.205			42,270
Total U.S. Department of Transportation			611,792
Total Federal Expenditures			$ 30,912,137

SACRAMENTO REGIONAL TRANSIT DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sacramento Regional Transit District (the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. PASS-THROUGH AWARDS

The District passed-through the following amounts to subrecipients related to Jobs Access - Reverse Commute (JARC) Federal Funds, CFDA #20.516:

Sacramento County	$ 301,135
Total	$ 301,135

The District passed-through the following amounts to subrecipients related to Federal Transit - Capital Investment Grants, CFDA #20.500:

City of Sacramento	$ 1,254,668
City of Placerville	57,767
Total	$ 1,312,435

The District passed-through the following amounts to subrecipients related to Federal Transit - Formula Grants, CFDA #20.507:

Paratransit	$ 923,780
El Dorado County Transit Authority	764,000
City of Folsom	500,000
City of Rancho Cordova	241,184
Total	$ 2,428,964

3. FEDERAL AWARDS PAYABLE

During the fiscal year ended June 30, 2011, the District identified payments totaling $160,448 it had received and reported as expenditures on the SEFA under CFDA #20.507 in prior fiscal years that were not eligible for reimbursement per U.S. Department of Transportation (DOT) regulations and returned the funds to the DOT.

Gilbert Associates, Inc.
CPAs and Advisors

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

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

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 year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2011. 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 of America.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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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 Transportation Development Act (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 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 instance 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 District management and 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.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC
Sacramento, California

November 23, 2011

Gilbert Associates, Inc.
CPAs and Advisors

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

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

Compliance

We have audited Sacramento Regional Transit District (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2011. 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. 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 year ended June 30, 2011, and have issued our report thereon dated November 23, 2011. 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 the purpose 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 District management and 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.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC
Sacramento, California

November 23, 2011

SACRAMENTO REGIONAL TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	✓ No
Significant deficiency(ies) identified?	_____ Yes	✓ None Reported
Noncompliance material to financial statements noted?	_____ Yes	✓ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	✓ No
Significant deficiency(ies) identified?	_____ Yes	✓ 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 OMB Circular A-133, Section .510(a)?	_____ Yes	✓ No

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
20.500 and 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs	$ 927,364	
Auditee qualified as low-risk auditee?	✓ Yes	_____ No

SECTION II –FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL COMPLIANCE

None.

2010-1 SIGNIFICANT DEFICIENCY – PAYROLL CONTROLS

Condition:

Our test of controls over the District's payroll process for employees that operate the bus and rail system identified two instances which prevent us from relying on the District's internal controls. The first instance involved a data entry error resulting in an overpayment to one employee for 1 additional hour of work and the second involved the use of an incorrect code resulting in an over payment to the employee for 24 minutes. Although individually these exceptions are immaterial to the financial statements, the District should review its internal controls over the payroll process and determine if there are additional steps that can be taken to improve or strengthen its internal controls.

Criteria:

Internal controls should be designed and operate effectively to ensure that all employees are being paid for the appropriate wage and for the amount of hours actually worked.

Cause:

The process for paying drivers involves multiple steps to insure that their time is properly recorded and tracked in conjunction with the various wage and time types available. Since these processes involve entering a significant amount of data into the payroll system, the Payroll supervisor performs summary reviews of the transactions to insure that significant over or under payments do not occur. As such, the District identified the cause of the errors to be a result of data entry errors not captured in the current payroll review process

Effect:

Two employees were over paid (1 hour and 24 minutes in total).

Recommendation:

We recommend that the District review its internal controls over the payroll system for bus and rail employees and determine if additional steps can be implemented to improve the accuracy of payroll records.

Management Response:

Although the District has internal controls in place to identify data entry errors, we agree that additional steps can be taken to improve our existing processes. Since the payroll process involves processing a significant number of daily and hourly transactions, we will add a new control which will require the Payroll Supervisor to randomly select and review 10 operators' time records on a monthly basis. This process will require the Supervisor to match the employee's hourly pay to the payroll ledger to insure that the data entry is accurate. If the Supervisor discovers any errors, she will increase the sample size for that time period. Additionally, the District is in the process of implementing Trapeze, which should improve time keeping by eliminating some of the current data entry processes.

Status of Prior Year Comment:

Recommendation has been implemented.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

U.S. DEPARTMENT OF TRANSPORTATION

2010-2 Federal Transit Cluster – CFDA No. 20.500, 20.507
Grant No. CA-96-X060 and CA-90-Y356
Grant Period – Year ended June 30, 2010

Condition:

During our testing of the District's internal control policy to verify contractors' status on the Excluded Parties List System (EPLS), we noted that the procurement department was not checking the approved contractors against the EPLS. Our testing of three contracts to the EPLS verified that the contractors were not out of compliance; however, the control process surrounding procurement did not operate effectively.

Criteria:

To ensure that the District has not awarded contracts to vendors that have been suspended or debarred from operating in California it is necessary to search the EPLS and verify the entities' status. Per the Code of Federal Regulations, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the EPLS maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Questioned Costs:

None.

Effect:

Without proper controls in place the District may execute a contract with an entity that has been suspended or debarred from operating in the State of California.

Cause:

The procurement staff did not follow the District policy of reviewing the EPLS system to ensure that the contractor had not been suspended or debarred.

Recommendation:

We recommend that the District follow their internal procurement policy and verify the contractors' status on the EPLS system before awarding any federal related contracts.

Management Response:

As a result of the finding, procurement staff has been reminded to adhere to this policy and procedure requirement to verify that firms participating in RT procurements have not been suspended or debarred.

In order to verify compliance with this procedure, a sample of 10 transactions a month will be tested to insure that the vendors being considered for award of a contract have not been placed on the List of Parties Excluded from Federal Procurement or Non-procurement Programs.

Status of Prior Year Comment:

Recommendation has been implemented.

Gilbert Associates, Inc.
CPAs and Advisors

Members of 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 year ended June 30, 2011, and have issued our report thereon dated November 23, 2011. 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 are providing the District's Board of Directors with information regarding the scope and results of the audit to assist the Board of Directors in overseeing management's financial reporting and disclosure process. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Communications

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. 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 District's 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.

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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. We did not identify and propose any adjusting journal entries.

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 November 23, 2011.

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the 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.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 23, 2011