

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
21	12/10/12	Open	Action	12/07/12

Subject: Review the FY2012 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, Reports on Compliance and Internal Controls as required by OMB Circular A-133 and the Transportation Development Act, the Report to the Board of Directors for the Fiscal Year Ended June 30, 2012, and Designate \$5,245,448 as the Reserve for the Fiscal Year ended June 30, 2012.

RECOMMENDED ACTION

Motion: Receive and File the Comprehensive Annual Financial Report, Reports on Compliance and Internal Controls as required by OMB Circular A-133 and the Transportation Development Act, the Report to the Board of Directors for the Fiscal Year Ended June 30, 2012, and Designate \$5,245,448 as the Reserve for the Fiscal Year Ended June 30, 2012.

FISCAL IMPACT

There is no fiscal impact as a result of a motion to receive and file the financial reports, however, this action will also place \$5,245,448 in operating reserves in compliance with RT’s Comprehensive Reserve Policy. Future use of these reserves for any reason will require a 2/3 vote of the Board.

DISCUSSION

Each fiscal year, the District prepares a CAFR and Reports on Compliance and Internal Control as required by OMB Circular A-133 and the TDA. 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, 2012. Moreover, no material weaknesses involving the District’s financial reporting or internal control processes were identified.

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 \$16.1 million as of June 30, 2012. This figure is comprised of \$5.6 million from operations and \$10.5 million in contributions received in support of the District’s Capital Program. For additional analysis, please refer to the Management Discussion and Analysis (MD&A) section found within the CAFR document starting on page 3.

Approved:

Presented:

Final Revised 12/7/12

General Manager/CEO

Director Finance/Treasury

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Summary

The CAFR presentation differs from the District’s operating and capital budgets in that the CAFR combines both operating and capital activities. As such, Attachment 1 is provided to show the District’s operating and capital funds separately. As of June 30, 2012, the District’s operating results were as follows: \$29 million in fare revenues, \$157.4 million in operating expenses, and \$101 million in non-operating revenues (expenses).

Budget to Actual Summary (Attachment 2)

Budget to actual highlights include a net favorable variance in operating expenses of \$2.1 million, budget to actual (unfavorable) variances were (\$0.5) million in operating revenues and (\$1.6 **2.0**) in net non-operating revenues.

Operating Revenues

The District’s FY2012 total operating revenue and contracted services revenues totaled \$34.2 million. The net unfavorable operating revenues variance of (\$0.5) 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 \$124.6 million, a favorable variance of \$2.1 million from the adopted budget of \$126.7 million. The net favorable operating expense variance can mainly be attributed to lower than anticipated public liability, property damage, and workers compensations claims. Additionally, decreases in professional and other services resulting from reduced consulting and contract maintenance expenditures including ADA Paratransit services contributed to the favorable variance. 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 as well as an inventory valuation reduction.

Non-Operating Revenues (Expenses)

The net unfavorable non-operating revenue (expense) variance of (\$1.6 **2.0**) million can be attributed to the District receiving lower than anticipated revenues related to the Federal Section 5309 funds and local STA funds.

Operating Results

The District concluded the FY2012 year with an operating income of \$5.6 million. After accounting for the \$400 thousand in operating carry forward deficit, the District ended the year with a reserve of \$5.2 million.

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Reserve Policy

As stated above, after applying the prior year’s operating deficit carryover, the District ended the fiscal year with operating revenues in excess of expenditures. In accordance with the Board approved Comprehensive Reserve Policy dated September 27, 2010, the remaining surplus should be used to fund one of the three reserves (operating, capital, or insurance reserves). In addition, the operating reserve must be funded prior to funding the capital or insurance reserve. Therefore, staff recommends that the Board *designate* \$5,245,448 as the FY 2012 operating reserve.

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

- Fiscal Year 2012 Statement of Revenue and Expense per Funding Designations – Attachment 1
- Fiscal Year 2012 Statement of Revenue and Expenses, Operating Budget to Actual Expenses – Attachment 2
- The Comprehensive Annual Financial Report (CAFR) – Attachment 3
- Reports Required by OMB Circular A-133 and Transportation Development Act (TDA) – Attachment 4
- Report to the Board of Directors – Attachment 5

Fiscal Year 2012
Statement of Revenues and Expenses
Per Funding Designation

Statement of Revenues and Expenses	FY 2012 Funding Designation		
	Operations	Capital Improvement Program	Total
OPERATING REVENUES (Fares)	\$ 28,964,148	\$ -	\$ 28,964,148
OPERATING EXPENSES			
Labor and Fringe Benefits	82,208,644	-	82,208,644
Professional and Other Services	20,714,711	701,792	21,416,503
Spare Parts and Supplies	9,116,270	668,417	9,784,687
Utilities	5,587,066	-	5,587,066
Casualty and Liability Costs	6,353,496	-	6,353,496
Depreciation and Amortization	-	31,392,344	31,392,344
Indirect Costs Allocated to Capital Programs	(823,572)	-	(823,572)
Other	1,441,768	50,000	1,491,768
Total Operating Expenses	124,598,383	32,812,553	157,410,936
Loss from Operations	(95,634,235)	(32,812,553)	(128,446,788)
NON-OPERATING REVENUES (EXPENSES)			
Operating Assistance			
State and Local	69,131,857	-	69,131,857
Federal	24,453,331	4,216,435	28,669,766
Investment Income	2,455,000	1,152	2,456,152
Interest Expense	(2,505,078)	(216,937)	(2,722,015)
Pass Through to Subrecipients	-	(4,216,435)	(4,216,435)
Contract Services	5,244,807	-	5,244,807
Other	2,478,333	6,302	2,484,635
Total Non-operating Revenues (Expense)	101,258,250	(209,483)	101,048,767
Income (Loss) Before Capital Contributions	5,624,015	(33,022,036)	(27,398,021)
Capital Contributions			
State and Local	-	33,473,886	33,473,886
Federal	-	10,015,897	10,015,897
Net Income	\$ 5,624,015	\$ 10,467,747	\$ 16,091,762
Summary			
Operating Revenue	\$ 28,964,148	\$ -	\$ 28,964,148
Non Operating Revenue	101,258,250	\$ 43,280,300	144,538,550
Total Revenue	130,222,398	43,280,300	173,502,698
Operating Expense	124,598,383	32,812,553	157,410,936
Net Income (Loss)	5,624,015	\$ 10,467,747	\$ 16,091,762
Deficit Prior Fiscal Year	(378,567)		
Operating Reserve	\$ 5,245,448		

**Fiscal Year 2012
Statement of Revenues and Expenses
Operating Budget to Actual Expenses**

Statement of Revenues and Expenses	FY 2012 Budget to Actual Expenses					
	Original IP Attachment	Approved Budget	Adjusted Operating Results	Original IP Attachment	Variance (Unfavorable)/ Favorable	Percent Variance
OPERATING REVENUES						
Fares		\$ 29,518,043	\$ 28,964,148		\$ 553,895	1.9%
Contracted Services		5,194,479	5,244,807		(50,328)	-1.0%
Subtotal		34,712,522	34,208,955		503,567	1.5%
OPERATING EXPENSES						
Labor and Fringe Benefits		82,280,756	82,208,644		72,112	0.1%
Professional and Other Services		21,720,780	20,714,711		1,006,069	4.6%
Spare Parts and Supplies		7,705,250	9,116,270		(1,411,020)	-18.3%
Utilities		5,986,260	5,587,066		399,194	6.7%
Casualty and Liability Costs		7,891,094	6,353,496		1,537,598	19.5%
Depreciation and Amortization		-	-		-	
Indirect Costs Allocated to Capital Programs		(787,087)	(823,572)		36,485	-4.6%
Other		1,866,878	1,441,768		425,110	22.8%
Total Operating Expenses		126,663,931	124,598,383		2,065,548	1.6%
(Loss) Income from Operations		(91,951,409)	(90,389,428)		2,569,115	-2.8%
NON-OPERATING REVENUES (EXPENSES)						
Operating Assistance						
State and Local		69,594,842	69,131,857		(462,985)	-0.7%
Federal		25,184,226	24,453,331		(730,895)	-2.9%
Investment Income/Expense		200,000	(50,078)		(250,078)	-125.0%
Advertising		900,000	800,497		(99,503)	-12.4%
Commercial Income/Other	— 1,766,725	2,145,292	1,677,836	— (88,889)	(467,456)	-21.8%
Total Non-operating Revenues (Exp)	— 97,645,793	98,024,360	96,013,443	— (1,632,350)	(2,010,917)	-2.1%
Net Income (Prior to Carryover)	— 5,694,384	6,072,951	5,624,015	— (70,369)	(448,936)	
Deficit Carryover from FY11		(378,567)	(378,567)			
Operating Reserve	\$ 5,315,817	\$ 5,694,384	\$ 5,245,448	\$ (70,369)	\$ (448,936)	
Summary						
Operating Revenue		\$ 34,712,522	\$ 34,208,955			
Non Operating Revenue	— 97,645,793	98,024,360	96,013,443			
Total Operating and Non Operating Revenues	— 432,358,345	132,736,882	130,222,398			
Total Funds Available for FY12	— 432,358,345	132,736,882	132,358,315			
Operating Expense		126,663,931	124,598,383			
FY12 Net Income (Prior to Carryover)	— 5,694,384	6,072,951	5,624,015			
Deficit Carryover from FY11		(378,567)	(378,567)			
FY12 Operating Reserve	\$ 5,315,817	\$ 5,694,384	\$ 5,245,448			

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Sacramento Regional Transit District for the Fiscal Years Ended
June 30, 2012 and 2011

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Regional Transit

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

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(29th St. Light Rail Station/
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Light Rail Office:
2700 Academy Way
Sacramento, CA 95815
(916) 648-8400

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December 10, 2012

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, 2012 and 2011.

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, 2012 and 2011, 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, 2012 and 2011, 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 11-member Board of Directors 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 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 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 executive management of the various divisions.

The District provides bus and light rail service 365 days a year covering a 418 square-mile service area. Annual ridership has steadily increased on both the bus and light rail systems from 14 million passengers in 1987, when light rail operations began, to approximately 26 million passengers in fiscal year ended June 30, 2012. 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 (in accordance with the Americans with Disabilities Act of 1990) for people that are unable to use fixed-route service.

The District’s annual budget serves as the foundation for 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 managers for 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 60-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. The legal level of control is at the fund level, in which budget amendments are authorized by the Board. The responsible division executive manager and the GM/CEO authorize interdivisional transfers. The respective division directors and departmental managers authorize intra-divisional transfers and the responsible manager authorizes departmental transfers.

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 region. 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 2012 was 10.8 percent down from 12 percent in 2011. The Sacramento region's annual unemployment rate is forecast to remain in the 10 percent range before expecting to improve in 2014.

Residential construction, as measured by building permits, is projected to increase to approximately 5,000 permits in fiscal year 2013 and expected to continue at that level, or trend higher over the next several years.

A significant portion of the District's operating funds are derived from sales tax revenues. Taxable sales increased by 6.1 percent in the Sacramento region in 2012 compared to 2011. It is estimated that taxable sales in 2013 will increase in the 5 to 6 percent as compared to 2012 levels.

The improved job growth and slight up trend in home sales is a positive sign for continued economic improvement in the region, which will affect consumer spending.

Major Initiatives

TransitAction Plan - The TransitAction Plan, adopted by the Board in August 2009, represents 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 urban sprawl, 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 the Sacramento region is in a slow growth period, gasoline prices are likely to increase in the long-term and traffic 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 greater need for a comprehensive incremental change in the quality, coverage and frequency of transit to make it the mobility option of choice.

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 major service reductions and layoffs. 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.

Over the last two years, the District has been focused on recovery measures, and has worked diligently to reduce operating costs and cut expenses while continuing to make progress on significant projects including the opening of the Green Line to the River District, the first phase of the Green Line to the Airport light rail extension project, and construction on a five-level parking structure and two light rail bridges for the Blue Line to Cosumnes River College light rail extension project (the anticipated award of a Full Funding Grant Agreement in December 2012 will allow construction to begin on the entire project in early 2013); the District has also been able to upgrade and install cameras and electronic message signs at key light rail stations.

Transit Renewal - In addition, the District implemented the first phase of "TransitRenewal" in September 2012, a comprehensive operational analysis of the District's entire bus and light rail system, gathered from community input and route analysis that resulted in recommendations on how to restore, restructure and "renew" transit service through 2017. Contingent upon sufficient funding, the goal of TransitRenewal is to restore the equivalent of the 21% of service that was discontinued in June 2010, starting with the addition of 8% in service improvements in fiscal year 2013 (September 2012).

South Line Phase 2 – South Line Phase 2 is the second phase of a two-phased 10.6 mile extension of the existing light rail line south to the City of Elk Grove. The South Line Phase 2 Project includes the following three components:

- i. Light Rail Extension –The South Line Phase 2 Project will extend the District's light rail system 4.3 miles from Phase 1's terminus at Meadowview Road to a terminus at Consumnes River College. Phase 2 involves the construction of four stations with three incorporating park and ride lots. This is an important regional project as it improves overall system accessibility.
- ii. Parking Structure – The South Line Phase 2 Project also involves the addition of a four-story, 2,000 space parking structure to be located at the east entrance of Consumnes River College. The parking structure is being constructed by the Los Rios Community College District and is currently expected to be completed in the second quarter of 2013.

- iii. Aerial Bridges – The South Line Phase 2 Project will also involve two aerial bridges at different locations. The aerial bridges are expected to be completed by the second quarter of 2014.

Smart Card - The District, along with SACOG and seven other transit agencies have embarked on a smart card-based regional transit fare payment program that will serve customers in the Sacramento region. 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 card. 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 initial stages of implementation, with a final completion date anticipated for May 2014.

Bus Maintenance Facility II (BMF2) – BMF2 is a secondary bus maintenance facility which is being built to alleviate capacity constraints at the current maintenance and fueling facility in midtown Sacramento. It is expected to eliminate overcrowding and the risk of a single point failure for CNG refueling at the current facility.

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 reduced overall levels of 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.

During fiscal year 2013, the District issued approximately \$86 million in Farebox revenue bonds. Proceeds from the bond sales will primarily fund the South Line Phase 2 project. Additional information on the bond issuance can be found on page 57, #14 Subsequent Event, in Notes to the Financial Statements.

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 71.

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, 2011 and 2010. 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 12th 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; Jamie Adelman, Senior Accountant; 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, 2011

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.



Linda C. Davison

President

Jeffrey R. Enos

Executive Director

Sacramento Regional Transit District

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David Sander, City of Rancho Cordova

General Manager/CEO

Michael R. Wiley

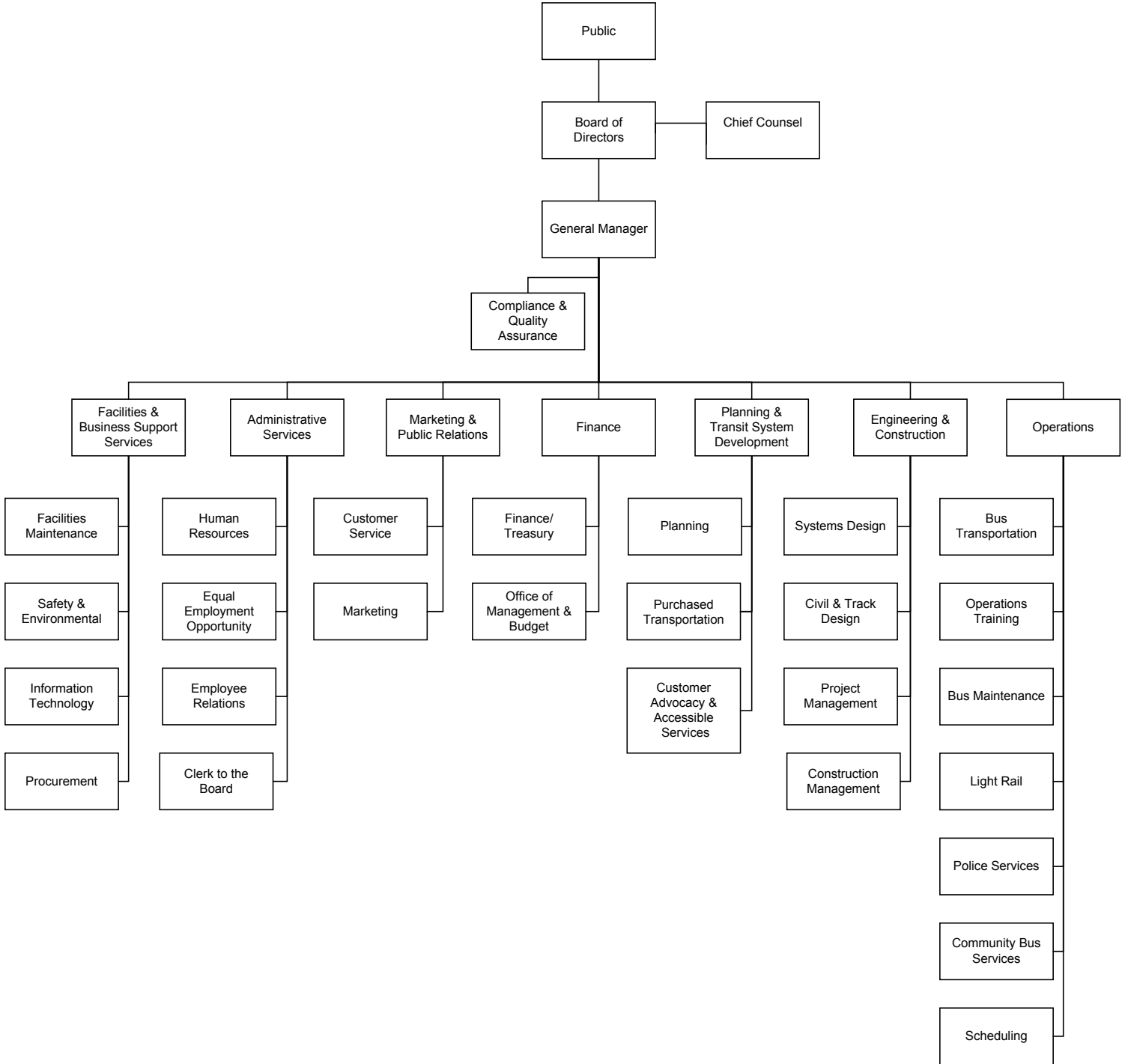
Chief Counsel

Bruce A. Behrens

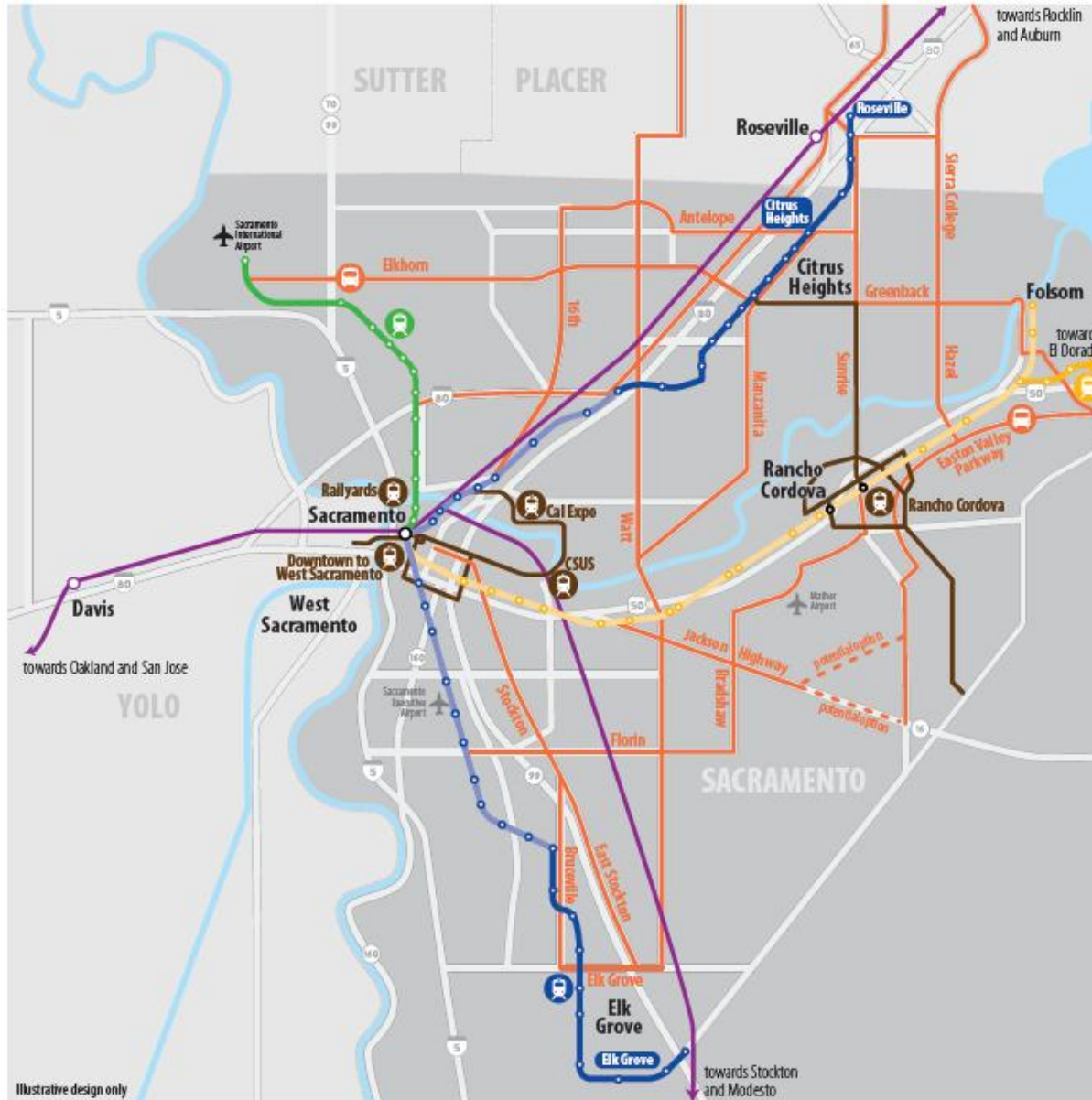
Executive Management Team

Dan W. Bailey, Chief Administrative/EEO Officer
Dee Brookshire, Chief Financial Officer
RoseMary Covington, Asst General Manager of Planning & Transit System Development
Mark Lonergan, Chief Operating Officer
Alane Masui, Assistant General Manager of Marketing and Communications
Michael A. Mattos, Chief of Facilities & Business Support Services Division
Diane Nakano, Assistant General Manager of Engineering and Construction

**SACRAMENTO REGIONAL TRANSIT DISTRICT
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2012**



2035 TRANSIT MASTER PLAN EXPANSION MAP



Illustrative design only

Scenario C - Integrated Transit Solution Updated following Public Outreach

Rail Services

- Blue Line**
Extensions to **Elk Grove** **Citrus Heights** **Roseville**
- Gold Line**
Extension towards El Dorado County
- DNA Line**
Double-Track to airport with express services
- Streetcar**
Full streetcar network established
- Regional Rail**
15 minute peak headways

Bus Services

- Local Bus**
More community + neighbourhood shuttles*
 - Hi-bus**
High frequency, capacity and quality core network*
 - Express Bus**
Direct, premium services offered*
 - Bus Rapid Transit (BRT)**
Where possible Enhanced Bus Corridors upgraded to full BRT Corridors operating in exclusive right-of-way
- * (not shown)

Funding & Policies

- Land-Use / Growth**
Blueprint land-use implemented
- Revenue Requirement**
Existing Measure A + New Source(s)

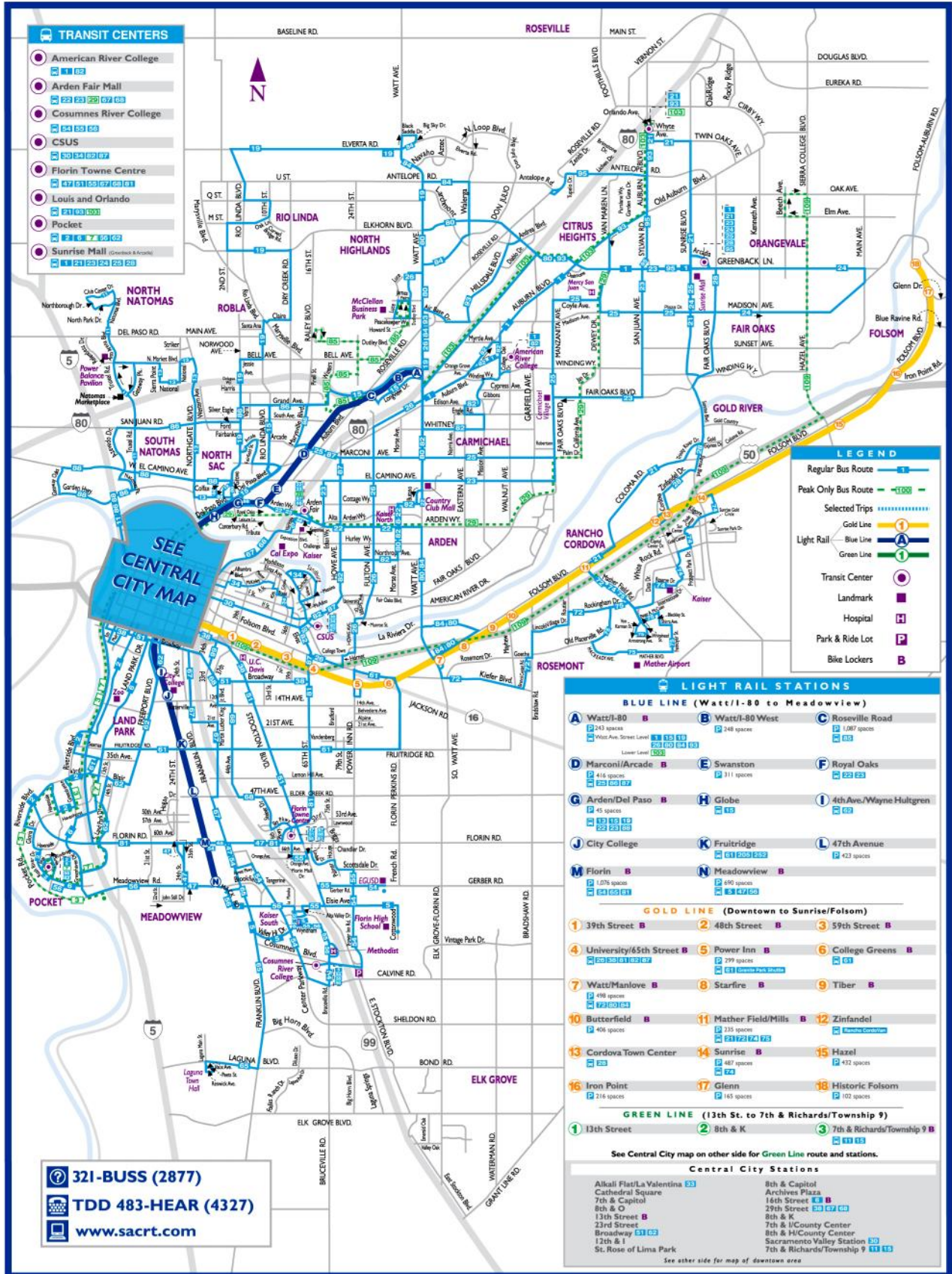
Ticketing & Information

- Ticketing**
Implement region-wide Integrated, smartcard system
- Timetable Info**
Real-time next bus / LRT information at stops
- Maps**
Free local area maps available online

Environments

- Passenger Safety**
Cameras at all stops and on all vehicles
- Stops and Stations**
Improvements to all stations and key stops
- Pedestrian Improvements**
Improve access to all stops/stations

SACRAMENTO REGIONAL TRANSIT SERVICE AREA MAP





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, 2012 and 2011, 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, 2012 and 2011, 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 20, 2012, 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.

**Members of the Board of Directors
Sacramento Regional Transit District
Sacramento Area Council of Governments
Page Two**

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Gilbert Associates, Inc.

**GILBERT ASSOCIATES, INC
Sacramento, California**

November 20, 2012

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, 2012 and 2011. 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, 2012 and 2011 by \$791,796,753 and \$775,704,992 (net assets), respectively. Of this amount, \$4,473,809 and \$1,839,934, respectively, is restricted for capital projects, \$787,849,408 and \$778,152,299 is invested in capital assets, net of related debt, and \$(526,464) and \$(4,287,241) respectively, is unrestricted.
- The District's total net assets increased for the year ended June 30, 2012 by 2.1 percent, or \$16,091,761, compared to the year ended June 30, 2011. 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 fiscal year ended June 30, 2010. The increase in fiscal year 2012 is the result of capital contributions as the District expands its light rail system. The increase in fiscal year 2011 is the result of capital contributions as the District expands its light rail system.
- The District's total liabilities decreased by \$7,843,586 and \$44,589,525 during the fiscal years ended June 30, 2012 and 2011, respectively. The net decrease of \$7,843,586 in fiscal year 2012 is due to scheduled principal debt payments on the District's Lease/Leaseback transactions and Certificates of Participation. The decrease was mitigated by increases in Prop 1B advances, line of credit and accounts payable. The net decrease of \$44,589,525 in fiscal year 2011 was due primarily to scheduled principal debt payments, payments on the line of credit, and imputed interest accrued on the District's Lease/Leaseback transactions.
- During the fiscal year ended June 30, 2012, fare revenue remained unchanged from the fiscal year ended June 30, 2011. Non-operating revenue increased by 10.3 percent due primarily to increases in Local Transportation Funds generated by the state sales tax, Measure A Funds generated by local sales tax, and State Transit Funds generated on taxes from gasoline and diesel fuel sales. 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. Non-operating revenue decreased by 8.1 percent due primarily to the reduction of American Recovery and Reinvestment Act of 2009 federal operating support.

- Total operating costs increased by 3.3 percent for the fiscal year ended June 30, 2012 and decreased by 8.3 percent for the fiscal years ended June 30, 2011. The increase in fiscal year ending June 30, 2012 can be attributed to an increase in labor costs and revenue vehicle expenses associated with restoring service. 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.

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, 2012 and 2011. 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 \$791,796,753 and \$775,704,992 at June 30, 2012 and 2011, 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, 2012	June 30, 2011	June 30, 2010
Capital Assets	\$ 800,808,218	\$ 785,316,478	\$ 778,764,512
Current and Other Assets	135,897,786	143,141,351	188,629,825
Total Assets	936,706,004	928,457,829	967,394,337
Current Liabilities	57,409,588	76,571,602	99,431,559
Non-Current Liabilities	87,499,663	76,181,235	97,910,803
Total Liabilities	144,909,251	152,752,837	197,342,362
 Net Assets:			
Invested in Capital Assets, Net of Related Debt	787,849,408	778,152,299	770,303,653
Restricted for Capital Projects	4,473,809	1,839,934	1,840,943
Unrestricted	(526,464)	(4,287,241)	(2,092,621)
Total Net Assets	\$ 791,796,753	\$ 775,704,992	\$ 770,051,975

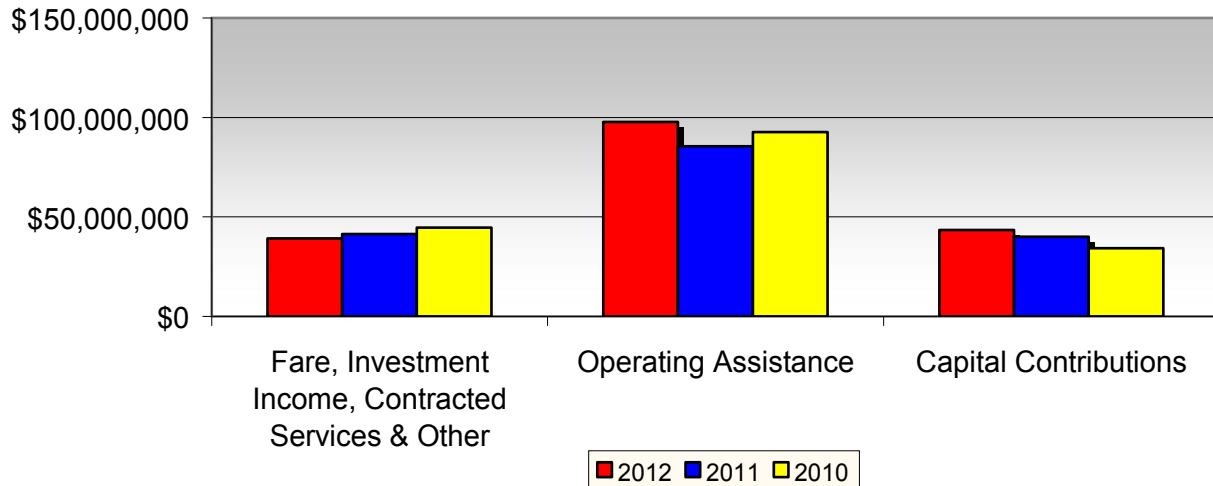
Sacramento Regional Transit District Changes in Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percent Change</u>
Operating Revenues:			
Fares	\$ 28,964,148	\$ 28,967,228	(0.0%)
Non-Operating Revenues:			
Operating Assistance	97,801,623	85,483,070	14.4%
Investment Income	2,456,152	4,113,266	(40.3%)
Other Revenue	<u>7,729,442</u>	<u>8,308,185</u>	(7.0%)
Total Revenue	<u>136,951,365</u>	<u>126,871,749</u>	7.9%
Operating and Non-Operating Expenses:			
Labor & Fringe Benefits	82,208,644	79,365,716	3.6%
Professional & Other Services	21,416,503	20,719,781	3.4%
Spare Parts & Supplies	9,784,687	8,523,578	14.8%
Utilities	5,587,066	5,741,319	(2.7%)
Casualty & Liability Costs	6,353,496	6,540,245	(2.9%)
Depreciation & Amortization	31,392,344	31,238,071	0.5%
Other	1,491,769	1,547,354	(3.6%)
Indirect Costs Allocated to Capital Programs	(823,572)	(881,316)	(6.6%)
Interest Expense	2,722,015	4,401,251	(38.2%)
Pass through to Subrecipients	<u>4,216,435</u>	<u>4,042,535</u>	4.3%
Total Operating and Non-Operating Expenses:	<u>164,349,387</u>	<u>161,238,534</u>	1.9%
Loss Before Capital Contributions	<u>(27,398,022)</u>	<u>(34,366,785)</u>	(20.3%)
Capital Contributions:			
State and Local	33,473,886	36,481,569	(8.2%)
Federal	<u>10,015,897</u>	<u>3,538,233</u>	183.1%
Increase in Net Assets	16,091,761	5,653,017	184.7%
Net Assets, July 1	<u>775,704,992</u>	<u>770,051,975</u>	0.7%
Net Assets, June 30	<u>\$ 791,796,753</u>	<u>\$ 775,704,992</u>	2.1%

Sacramento Regional Transit District Changes in Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percent Change</u>
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	<u>8,308,185</u>	<u>7,356,862</u>	12.9%
Total Revenue	<u>126,871,749</u>	<u>137,345,410</u>	(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	<u>4,042,535</u>	<u>3,637,885</u>	11.1%
Total Operating and Non-Operating Expenses:	<u>161,238,534</u>	<u>176,700,361</u>	(8.8%)
Loss Before Capital Contributions	<u>(34,366,785)</u>	<u>(39,354,951)</u>	(12.7%)
Capital Contributions:			
State and Local	36,481,569	29,380,939	24.2%
Federal	<u>3,538,233</u>	<u>4,955,453</u>	(28.6%)
Increase (Decrease) in Net Assets	5,653,017	(5,018,559)	(212.6%)
Net Assets, July 1	<u>770,051,975</u>	<u>775,070,534</u>	(0.6%)
Net Assets, June 30	<u>\$ 775,704,992</u>	<u>\$ 770,051,975</u>	0.7%

REVENUES BY SOURCE



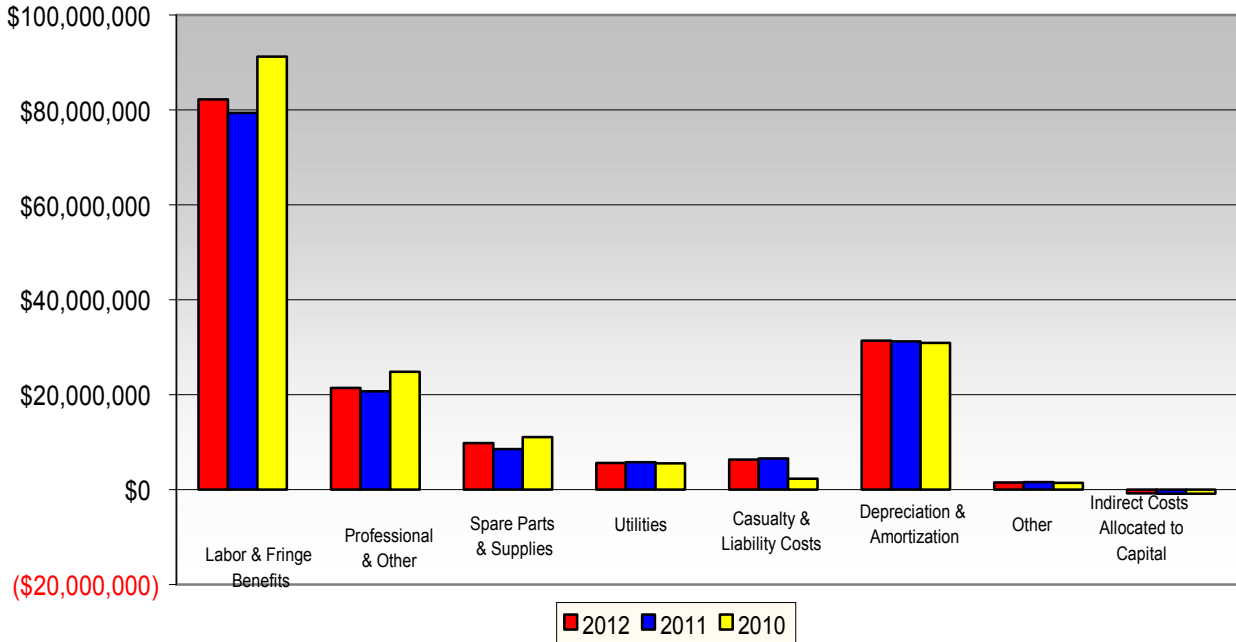
Revenue

Fares, investment income, contracted services, and other revenue decreased by a combined \$2,238,937 or 5.4 percent for the fiscal year ended June 30, 2012 and decreased by a combined \$3,270,389, or 7.3 percent for the fiscal year ended June 30, 2011. The revenue decrease for fiscal year ended June 30, 2012 is primarily due to both a decline in investment income as deposits held for the District's lease/leaseback payable have been expended and expiration of Compressed Natural Gas (CNG) Federal Excise Tax Refunds. The decrease was partially mitigated by an increase in contracted services. The revenue decrease for the fiscal year ended June 30, 2011 was 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 increased by \$12,318,553 or 14.4 percent and \$7,203,272 or 7.8 percent, for the fiscal years ended June 30, 2012 and June 30, 2011, respectively. The increase in fiscal year 2012 is the result of increased Measure A sales tax revenue, Local Transportation Funds and State Transit Assistance generated on taxes from gasoline and diesel fuel sales. The decline in fiscal year 2011 was the result of a reduction to American Recovery and Reinvestment Act of 2009 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 8.7 percent and 16.6 percent during the fiscal year ended June 30, 2012 and 2011 respectively. The increase for the year ended June 30, 2012 is primarily the result of the Southline Phase 2 and the Green Line to the River District light rail extensions. The increase for the year ended June 30, 2011 was primarily the result of the Green Line to the River District light rail extension.

OPERATING EXPENSES



Expenses

Total operating costs increased by 3.3 percent for the fiscal year ended June 30, 2012 and decreased by 8.3 percent for the fiscal years ended June 30, 2011. The increase in fiscal year ending June 30, 2012 can be attributed to an increase in labor costs and revenue vehicle expenses associated with restoring service. 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.

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, 2012 of \$(526,464) an increase of \$3,760,777, or 87.7 percent, in comparison with June 30, 2011, which reported unrestricted net assets of \$(4,287,241), a decline of \$2,194,620, or 104.9 percent from June 30, 2010. The increase in unrestricted net assets of \$3,760,777 in 2012 was the result of increased revenues. The decrease of \$2,194,620 in 2011 was the result of the District incurring an operating loss.

Capital Asset and Debt Activity

As of June 30, 2012 the District's investment in various capital assets, such as bus and light rail vehicles, facilities, land, buildings and equipment increased to \$800,808,218 from \$785,316,478 representing a 2.0 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 and the Southline Phase 2 light rail extension projects.

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 and the Southline Phase 2 light rail extension projects. 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 \$1,845,984 or 23.7 percent for the fiscal year ended June 30, 2012, and \$1,765,984 or 18.5 percent for the fiscal year ended June 30, 2011. 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 \$35,482,912 and \$57,411,268 as of June 30, 2012 and 2011, 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. Proceeds of the fiscal year 2013 Series 2012 Bond Issuance will be used to finance a portion of the District's light rail system expansion and acquisition of certain buses. As of June 30, 2012 the District has construction contracts and property acquisition commitments of approximately \$28,694,676.

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, 2012 and 2011**

ASSETS	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and Cash Equivalents	\$ 256,469	\$ 893,863
Restricted Cash and Cash Equivalents	1,164,034	3,871,567
Investments	891,359	-
Restricted Investments	25,210,604	19,194,131
Deposits for Lease/Leaseback Payable	3,857,272	24,271,104
Receivables:		
State and Local Government	19,231,348	5,337,355
Federal Government	26,749,338	26,129,170
Other	5,619,438	5,718,622
Spare Parts and Supplies Inventory	16,224,417	16,969,524
Other Current Assets	<u>56,198</u>	<u>50,000</u>
Total Current Assets	<u>99,260,477</u>	<u>102,435,336</u>
Non-Current Assets:		
Restricted Cash & Cash Equivalents	1,191,596	-
Investments	3,481,500	4,268,211
Restricted Investments	-	2,857,103
Deposits for Lease/Leaseback Payable	31,625,640	33,140,164
Deferred Issuance Costs	138,573	190,537
Prepaid Lease	200,000	250,000
Non-Depreciated Capital Assets	189,911,831	193,278,651
Depreciated Capital Assets, Net	<u>610,896,387</u>	<u>592,037,827</u>
Total Non-Current Assets	<u>837,445,527</u>	<u>826,022,493</u>
Total Assets	<u>\$ 936,706,004</u>	<u>\$ 928,457,829</u>

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

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF NET ASSETS – BUSINESS TYPE ACTIVITIES - continued
ENTERPRISE FUND
JUNE 30, 2012 and 2011

	2012	2011
LIABILITIES		
Current Liabilities:		
Line of Credit	\$ 10,000,000	\$ 7,600,000
Accounts Payable	18,234,487	13,360,859
Other Accrued Liabilities	3,182,289	2,962,717
Compensated Absences	6,289,061	5,824,364
Interest Payable	188,452	102,594
Unearned Revenue	379,632	372,070
Advances from Other Governments	3,227,053	11,545,078
Claims Payable	9,197,946	7,744,420
Lease/Leaseback Payable	3,857,272	24,271,104
Certificates of Participation	1,910,984	1,845,984
Retention Payable	942,412	942,412
	57,409,588	76,571,602
Total Current Liabilities		
Long-Term Liabilities:		
Certificates of Participation	4,031,638	5,942,622
Compensated Absences	2,638,969	2,756,098
Advances from Other Governments	22,433,701	13,177,077
Claims Payable	9,095,012	11,300,847
Loan Payable	8,230,039	-
Lease/Leaseback Payable	31,625,640	33,140,164
Deferred Gain on Lease/Leaseback	9,444,664	9,864,427
	87,499,663	76,181,235
Total Long-Term Liabilities		
	144,909,251	152,752,837
Total Liabilities		
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	787,849,408	778,152,299
Restricted For Capital Projects	4,473,809	1,839,934
Unrestricted	(526,464)	(4,287,241)
	\$ 791,796,753	\$ 775,704,992
Total Net Assets		

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, 2012 and 2011**

	2012	2011
OPERATING REVENUES		
Fares	<u>\$ 28,964,148</u>	<u>\$ 28,967,228</u>
OPERATING EXPENSES		
Labor and Fringe Benefits	82,208,644	79,365,716
Professional and Other Services	21,416,503	20,719,781
Spare Parts and Supplies	9,784,687	8,523,578
Utilities	5,587,066	5,741,319
Casualty and Liability Costs	6,353,496	6,540,245
Depreciation and Amortization	31,392,344	31,238,071
Indirect Costs Allocated to Capital Programs	(823,572)	(881,316)
Other	<u>1,491,769</u>	<u>1,547,354</u>
Total Operating Expenses	<u>157,410,937</u>	<u>152,794,748</u>
Operating Loss	<u>(128,446,789)</u>	<u>(123,827,520)</u>
NON-OPERATING REVENUES (EXPENSES)		
Operating Assistance:		
State and Local	69,131,857	58,109,166
Federal	28,669,766	27,373,904
Investment Income	2,456,152	4,113,266
Interest Expense	(2,722,015)	(4,401,251)
Pass-Through to Subrecipients	(4,216,435)	(4,042,535)
Contract Services	5,244,807	4,361,810
Other	<u>2,484,635</u>	<u>3,946,375</u>
Total Non-Operating Revenues	<u>101,048,767</u>	<u>89,460,735</u>
Loss Before Capital Contributions	(27,398,022)	(34,366,785)
Capital Contributions:		
State and Local	33,473,886	36,481,569
Federal	<u>10,015,897</u>	<u>3,538,233</u>
Increase in Net Assets	16,091,761	5,653,017
Net Assets, July 1	<u>775,704,992</u>	<u>770,051,975</u>
Net Assets, June 30	<u><u>\$ 791,796,753</u></u>	<u><u>\$ 775,704,992</u></u>

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

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 29,064,537	\$ 27,562,706
Cash Received from Contract Sources	5,244,807	4,361,810
Cash Paid to Suppliers	(39,723,291)	(40,266,939)
Cash Paid to Employees	(80,817,932)	(78,403,698)
Cash Received from Other Sources	<u>2,478,333</u>	<u>3,926,860</u>
Net Cash (Used in) Operating Activities	<u>(83,753,546)</u>	<u>(82,819,261)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Local Receipts	62,796,547	58,113,322
Federal Receipts	27,280,436	28,611,060
Pass-Through to Subrecipients	(4,216,435)	(4,042,535)
Advances on the Line of Credit	56,200,000	26,100,000
Payments on the Line of Credit	<u>(53,800,000)</u>	<u>(29,600,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>88,260,548</u>	<u>79,181,847</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(47,251,883)	(38,157,835)
Principal Payments on Certificates of Participation	(1,770,000)	(1,690,000)
Interest Paid	(369,393)	(510,298)
Proceeds from Note Payable	8,230,039	-
Proceeds from Sale of Capital Assets	6,302	19,515
State and Local Capital Grants	26,853,802	39,552,211
Federal Capital Grants	<u>10,785,059</u>	<u>4,219,160</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(3,516,074)</u>	<u>3,432,753</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	18,324,386	10,997,631
Purchases of Investments	(21,891,419)	(32,557,881)
Investment Income	<u>422,774</u>	<u>413,262</u>
Net Cash (Used in) Investing Activities	<u>(3,144,259)</u>	<u>(21,146,988)</u>
Net (Decrease) in Cash and Cash Equivalents	(2,153,331)	(21,351,649)
Cash and Cash Equivalents, July 1	<u>4,765,430</u>	<u>26,117,079</u>
Cash and Cash Equivalents, June 30	<u>\$ 2,612,099</u>	<u>\$ 4,765,430</u>
RECONCILIATION TO STATEMENT OF NET ASSETS		
Cash and Cash Equivalents	\$ 256,469	\$ 893,863
Restricted Cash and Cash Equivalents, Current	1,164,034	3,871,567
Restricted Cash and Cash Equivalents, Non-Current	<u>1,191,596</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 2,612,099</u>	<u>\$ 4,765,430</u>

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

**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 and 2011**

	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating Loss	\$ (128,446,789)	\$ (123,827,520)
Adjustments to Reconcile Net Loss from Operations to Net Cash Used in Operating Activities:		
Depreciation	31,760,142	31,605,869
Amortization	(367,798)	(367,798)
Contract Services Nonoperating Income	5,244,807	4,361,810
Miscellaneous Nonoperating Income	2,478,333	3,926,860
Effect of Changes in:		
Other Receivables	92,827	(1,273,468)
Spare Parts and Supplies Inventory	745,109	(172,499)
Other Current Assets	(6,198)	-
Prepaid Lease	50,000	50,000
Accounts, Other Accrued and Retention Payable	5,093,200	1,587,805
Compensated Absences and Other	347,568	310,544
Unearned Revenue	7,562	(131,054)
Reserve for Claims	(752,309)	1,110,190
Net Cash (Used in) Operating Activities	\$ (83,753,546)	\$ (82,819,261)
 NON-CASH INVESTING AND FINANCING ACTIVITIES		
Interest Income from Investments Held to Pay		
Lease/Leaseback	\$ 2,342,748	\$ 3,995,103
Interest Expense on Capital Lease/Leaseback	(2,342,748)	(3,995,103)
Reduction of Deposits for Lease/Leaseback Payment by Payment Undertaker	24,271,104	47,264,990
Payment of Lease/Leaseback Payable by Payment Undertaker	(24,271,104)	(47,264,990)
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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 6,110,164	\$ 7,809,266
Interest, Dividends, and Other Receivables	<u>1,323,730</u>	<u>3,224,405</u>
Total Current Assets	<u>7,433,894</u>	<u>11,033,671</u>
Long-Term Investments:		
Equity Securities	112,619,361	117,773,064
Fixed Income Securities	<u>74,983,002</u>	<u>72,007,039</u>
Total Long-Term Investments	<u>187,602,363</u>	<u>189,780,103</u>
Total Assets	<u>195,036,257</u>	<u>200,813,774</u>
LIABILITIES		
Liabilities:		
Securities Purchased Payable	4,532,559	9,769,379
Accounts Payable	<u>1,334,008</u>	<u>853,159</u>
Total Liabilities	<u>5,866,567</u>	<u>10,622,538</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 189,169,690</u>	<u>\$ 190,191,236</u>

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, 2012 AND 2011**

	2012	2011
ADDITIONS		
Contributions:		
Employer	\$ 12,464,458	\$ 10,526,715
Total Contributions	12,464,458	10,526,715
Investment Income:		
Net Increase in Fair Value of Investments	250,516	28,852,006
Interest, Dividends, and Other Income	4,615,417	4,381,673
Investment Expenses	(1,152,811)	(1,209,718)
Net Investment Income	3,713,122	32,023,961
Total Additions	16,177,580	42,550,676
DEDUCTIONS		
Benefits Paid to Participants	16,854,683	16,550,718
Administrative Expenses	344,443	201,073
Total Deductions	17,199,126	16,751,791
Increase (Decrease) in Net Assets	(1,021,546)	25,798,885
Net Assets, Held in Trust for Pension Benefits - July 1	190,191,236	164,392,351
Net Assets, Held in Trust for Pension Benefits - June 30	\$ 189,169,690	\$ 190,191,236

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

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS

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

RESTRICTED ASSETS

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

INVENTORIES

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

CAPITAL ASSETS

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

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

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

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

COMPENSATED ABSENCES

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

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

FEDERAL, STATE, AND LOCAL GRANT FUNDS

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

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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, 2012, and 2011, the District did not implement new GASB pronouncements as they did not apply to the District's financial activity or were immaterial.

The following pronouncements will be applicable in future years:

GASB Statement No. 62 (GASB 62) "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" This statement is intended to enhance the usefulness of GASB's Codification by incorporating guidance that previously could only be found in certain pronouncements from the Financial Accounting Standards Board and the American Institute of CPAs.

The District is in the process of determining the impact to the financial statements, primarily the capitalization of interest costs.

GASB Statement No. 63 (GASB 63) "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" This statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities.

The District is in the process of determining the impact to the financial statements.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 65 (GASB 65) "Items Previously Reported as Assets and Liabilities" This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

The District is in the process of determining the impact to the financial statements.

GASB Statement No. 67 (GASB 67) "Financial Reporting for Pension Plans," an amendment of GASB 25. This statement will revise existing standards for the financial reports of most defined benefit pension plans.

The District will adopt GASB 67 effective for the fiscal year ended June 30, 2014.

GASB Statement No. 68 (GASB 68) "Accounting and Financial Reporting for Pensions," an amendment of GASB 27. This statement establishes new financial reporting requirements for most governments that provide their employees with pension benefits through these types of plans.

The District will adopt GASB 68 effective for the fiscal year ended June 30, 2015.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

2. CASH AND INVESTMENTS

As of June 30, 2012, and 2011, the cash and investments among all funds consisted of the following:

	<u>2012</u>	<u>2011</u>
Cash on hand	\$ 129,011	\$ 147,742
Cash and cash equivalents	8,593,252	12,426,954
Investments	<u>217,185,826</u>	<u>216,099,548</u>
Total Cash and Investments	<u>\$ 225,908,089</u>	<u>\$ 228,674,244</u>

The total cash and investments as of June 30, 2012, are reported in the accompanying basic financial statements as follows:

	<u>Enterprise Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Unrestricted:			
Cash and cash equivalents	\$ 256,469	\$ -	\$ 256,469
Investments	<u>4,372,859</u>	<u>-</u>	<u>4,372,859</u>
Total unrestricted	<u>4,629,328</u>	<u>-</u>	<u>4,629,328</u>
Restricted:			
Cash and cash equivalents	2,355,630	6,110,164	8,465,794
Investments	<u>25,210,604</u>	<u>187,602,363</u>	<u>212,812,967</u>
Total restricted	<u>27,566,234</u>	<u>193,712,527</u>	<u>221,278,761</u>
Total cash and investments	<u>\$ 32,195,562</u>	<u>\$ 193,712,527</u>	<u>\$ 225,908,089</u>

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

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

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

2. CASH AND INVESTMENTS (Continued)

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.

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.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

2. CASH AND INVESTMENTS (Continued)

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 benchmark.

(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.

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.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

2. CASH AND INVESTMENTS (Continued)

The following table provides information about the interest rate risks associated with investments as of June 30, 2012.

	Maturities in Years				Fair Value
	Less than 1	1 – 5	6 – 10	More than 10	
Enterprise Fund					
Corporate bonds	\$ 122,923	\$ 890,103	\$ -	\$ -	\$ 1,013,026
Certificate of Deposit	90,000	-	-	-	90,000
Local Agency Investment Fund	2,828	-	-	-	2,828
Corporate bonds – FDIC Insured	232,056	-	-	-	232,056
Commercial paper	109,920	-	-	-	109,920
U.S. Government Agency obligations	14,247,474	1,968,913	-	-	16,216,387
U.S. Government Issued obligations	11,299,590	622,484	-	-	11,922,074
Total Enterprise Fund	<u>\$ 26,104,791</u>	<u>\$ 3,481,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,586,291</u>
Fiduciary Funds					
ATU/IBEW and Salaried:					
Collateralized mortgage obligations	\$ -	\$ -	\$ 2,785,880	\$ 18,873,386	\$ 21,659,266
Corporate bonds	996,652	5,517,287	5,839,921	3,455,701	15,809,561
Municipal bonds	-	-	706,715	540,601	1,247,316
U.S. Government Agency obligations	-	-	1,208,701	14,095,110	15,303,811
U.S. Government Issued obligations	3,723,070	3,323,568	3,911,544	3,029,178	13,987,360
Asset-backed securities	-	72,875	180,696	6,722,117	6,975,688
Total Fiduciary Fund	<u>\$ 4,719,722</u>	<u>\$ 8,913,730</u>	<u>\$ 14,633,457</u>	<u>\$ 46,716,093</u>	<u>\$ 74,983,002</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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, 2011.

	Maturities in Years				Fair Value
	Less than 1	1 – 5	6 – 10	More than 10	
<u>Enterprise Fund</u>					
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	<u>\$ 17,955,109</u>	<u>\$ 8,797,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,752,653</u>
<u>Fiduciary Funds</u>					
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	<u>\$ 1,289,123</u>	<u>\$ 10,564,129</u>	<u>\$ 12,552,541</u>	<u>\$ 47,601,246</u>	<u>\$ 72,007,039</u>

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 obligors 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.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

2. CASH AND INVESTMENTS (Continued)

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, 2012, the District held callable bonds with a fair value of \$330,486. The ATU/IBEW and Salaried Pension Trust Fund held callable bonds with a fair value of \$7,075,035.

As of June 30, 2011, the District held callable bonds with a fair value of \$316,299. The ATU/IBEW Pension Trust Fund and the Salaried Pension Trust Fund held callable bonds with a fair value of \$7,725,362.

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, 2012 and 2011, the District did not hold any of these securities. As of June 30, 2012, the ATU/IBEW and Salaried Pension Trust Fund held range notes with a fair value of \$410,863. As of June 30, 2011, the ATU/IBEW Pension Trust Fund and the Salaried Pension Trust Fund held range notes with a fair value of \$443,475.

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.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

2. CASH AND INVESTMENTS (Continued)

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, 2012 and 2011, 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, 2012:

<u>Enterprise Fund</u>		
<u>Moody's Ratings</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Not applicable	\$ 1,476,676	4.58%
Not rated	383,727	1.19%
Aaa/Aaa-mf/P1	29,322,134	91.08%
Aa1	63,300	0.20%
Aa2	146,099	0.45%
Aa3	224,420	0.70%
A1	343,916	1.07%
A2	235,290	0.73%
	<u>\$ 32,195,562</u>	<u>100.00%</u>

<u>Fiduciary Funds</u>		
ATU/IBEW and Salaried		
<u>Moody's Ratings</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Not applicable	\$ 118,729,525	61.29%
Not rated	21,585,365	11.14%
Aaa	28,856,744	14.90%
Aa1	236,918	0.12%
Aa2	2,093,888	1.08%
Aa3	610,123	0.32%
A1	1,827,332	0.94%
A2	2,109,140	1.09%
A3	2,562,112	1.32%
Baa1	2,136,207	1.10%
Baa2	5,779,755	2.98%
Baa3	1,464,482	0.76%
Ba1	351,157	0.18%
Ba2	39,266	0.02%
Ba3	726,862	0.38%
B1	270,052	0.14%
Caa1	1,513,420	0.78%
Caa3	2,287,910	1.18%
Ca	532,269	0.28%
Total	<u>\$ 193,712,527</u>	<u>100.00%</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

2. CASH AND INVESTMENTS (Continued)

The following tables provide information on the credit ratings and fair value associated with investments as of June 30, 2011:

<u>Enterprise Fund</u>		
<u>Moody's Ratings</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
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%
	<u>\$ 31,084,875</u>	<u>100.00%</u>

<u>Fiduciary Funds</u>		
ATU/IBEW and Salaried		
<u>Moody's Ratings</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
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	<u>\$ 197,589,369</u>	<u>100.00%</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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 2012 and 2011, 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:

	<u>2012</u>	<u>2011</u>
Federal Farm Credit Bank	\$ -	\$ 3,052,041
Federal Home Loan Bank	6,609,649	5,562,855
Federal Home Loan Mortgage Corporation	-	4,994,298
Federal National Mortgage Association	<u>6,575,570</u>	<u>6,397,509</u>
	<u>\$ 13,185,219</u>	<u>\$ 20,006,703</u>

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. As of June 30, 2012 and 2011, the Plans' held more than 5% of the Plans' investments in the following fixed-income securities investment.

	<u>2012</u>	<u>2011</u>
Federal National Mortgage Association	\$ 10,058,322	\$ 14,196,114

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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, 2012 and 2011, \$316,469 and \$960,572 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, 2012 and 2011, 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, 2012 and 2011 was \$2,828 and \$433,208, respectively. The total fair value amount invested by all public agencies in LAIF at June 30, 2012 and 2011 was \$21,887,750,115 and \$23,983,771,875, respectively. The LAIF is part of the Pooled Money Investment Account (PMIA) whose balances as of June 30, 2012 and June 30, 2011 were \$60,502,186,417 and \$66,352,783,817, respectively. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities at June 30, 2012 and 2011, totaling \$1,297,405,000 and \$2,221,706,000, approximately 2.14% and 3.35% of the total portfolio, and structured notes totaling \$800,000,000 and \$1,100,000,000, approximately 1.32% and 1.66% of the total portfolio, respectively.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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, 2012, and 2011 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, 2012, the U.S. dollar balances organized by investment type and currency denominations are as follows:

Fiduciary Fund:	<u>Foreign Currency</u>	<u>ATU/IBEW and Salaried</u>
Cash	Japanese Yen	\$ 60,532
	Pound Sterling	13,877
	Euro Currency	11,121
	Swiss Franc	5,938
	Hong Kong Dollar	(370)
Stocks	Euro Currency	8,248
Total:		<u>\$ 99,346</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

2. CASH AND INVESTMENTS (Continued)

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
		\$	15,259,705

RESTRICTED CASH AND INVESTMENTS

Enterprise Fund

At June 30, 2012 and 2011, cash and investments include restricted amounts of the District's Enterprise Fund of \$27,566,234 and \$25,922,801, respectively. Amounts represent monies restricted for retirement of debt, developer fee projects, and grantor-approved projects.

Fiduciary Fund

At June 30, 2012 and 2011, cash and investments include restricted amounts of the Pension Trust Funds of \$193,712,527 and \$197,589,369, 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:

	2012	2011
Prepaid Lease, Balance	\$ 250,000	\$ 300,000
Less: Current Portion	(50,000)	(50,000)
Prepaid Lease, Non-current	\$ 200,000	\$ 250,000

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

4. CAPITAL ASSETS

Activity for the year ended June 30, 2012 was as follows:

Assets at Cost	Balance June 30, 2011	Additions	Transfers	Deletions	Balance June 30, 2012
Non-Depreciated Capital Assets					
Land*	\$ 85,226,659	\$ -	\$ -	\$ -	\$ 85,226,659
Capital Projects in Process**	<u>108,051,992</u>	<u>45,965,828</u>	<u>(49,332,648)</u>	-	<u>104,685,172</u>
Total Non-Depreciated Capital Assets	<u>193,278,651</u>	<u>45,965,828</u>	<u>(49,332,648)</u>	-	<u>189,911,831</u>
Depreciated Capital Assets					
Buildings and Improvements*	651,740,183	78,660	44,533,351	(159,015)	696,193,179
Buses and Other Equipment	<u>260,618,563</u>	<u>1,207,395</u>	<u>4,799,297</u>	<u>(757,511)</u>	<u>265,867,744</u>
Total Depreciated Capital Assets	<u>912,358,746</u>	<u>1,286,055</u>	<u>49,332,648</u>	<u>(916,526)</u>	<u>962,060,923</u>
Accumulated Depreciation:					
Buildings and Improvements	(192,579,164)	(17,530,935)	-	159,015	(209,951,084)
Buses and Other Equipment	<u>(127,741,755)</u>	<u>(14,229,208)</u>	-	757,511	<u>(141,213,452)</u>
Total Accumulated Depreciation	<u>(320,320,919)</u>	<u>(31,760,143)</u>	-	916,526	<u>(351,164,536)</u>
Capital Assets Being Depreciated, Net	<u>592,037,827</u>	<u>(30,474,088)</u>	<u>49,332,648</u>	-	<u>610,896,387</u>
Capital Assets, Net	<u>\$ 785,316,478</u>	<u>\$ 15,491,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,808,218</u>

*Land and Building – the values of the land and buildings at McClellan Park, approximately \$3.7 million and \$6.7 million, respectively, are included in these figures in anticipation of the District receiving future Fee Simple title. On January 5, 2007, a net lease and purchase agreement was recorded, giving the District a 94-year land and building leasehold and providing for a future transfer of Fee Simple title upon completion of Hazardous Materials clean-up by the United States Air Force. Pursuant to such transaction, the District acquired a leasehold interest in multiple buildings and some exterior parking and the right to use certain common areas at McClellan Park (formerly McClellan Air Force Base). Fee Simple title to the property is projected to be transferred to the District in 2013. Therefore, the current lease in furtherance of conveyance is being reported as a fee simple ownership of the property.

**Capital Projects in Process – the value of capital projects in process includes \$13.3 million of progress payments made pursuant to a Lease and Joint Use Agreement with Los Rios Community College District (Los Rios) that provides for the construction of a parking garage at Consumnes River College. Although Los Rios will hold title to the parking garage, the District is responsible for a significant portion of the construction costs, and in accordance with ASC 840, Leases, Subsection 40-15-5, the District is deemed to be the owner of the parking structure during construction. The term of the lease, expected to commence in September 2015 when the South Sacramento Corridor Phase II light rail extension commences revenue operations, is for a period of 51 years with the option to extend for two consecutive 5-year terms. It is expected that the lease will qualify for capital sale-lease treatment.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

4. CAPITAL ASSETS (continued)

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

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, 2012 and June 30, 2011, 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 2012 interest rate was at either current LIBOR plus one and one-half percent on a fixed basis or current Prime on a variable basis. 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 line of credit expired June 30, 2012. 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, 2013. The line of credit balance at June 30, 2012 and 2011, is summarized as follows:

	2012	2011
Beginning Balance	\$ 7,600,000	\$ 11,100,000
Draws	56,200,000	26,100,000
Payments	(53,800,000)	(29,600,000)
Ending Balance	\$ 10,000,000	\$ 7,600,000

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

6. LEASES

OPERATING LEASES

The District leases buildings, parking lots, and office facilities under non-cancelable operating leases. Total cost for such leases was \$555,025 and \$571,069, for the fiscal years ended June 30, 2012 and 2011, respectively. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
2013	\$ 365,832
2014	309,192
2015	313,440
2016	314,208
2017	180,224
Total	\$ 1,482,896

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, 2012, and 2011, the District had a balance of \$9,444,664 and \$9,864,427, respectively, as deferred gain on Lease/Leaseback. During the fiscal years ending June 30, 2012, and 2011, the District amortized \$419,763 of the Deferred Gain on Lease/Leaseback each year.

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

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

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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 District's Board of Directors approved a restructuring agreement for all three leveraged lease transactions with respect to ratings triggers and cure periods. 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 the District to amend this requirement at the appropriate times.

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. Following the July 21, 2011, restructuring, 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.

The District has an option to purchase the applicable Equipment on the Lease expiration date for the applicable transaction. The aggregate purchase price of \$97,932,090 for the Equipment, if the purchase option is exercised, would be funded from the maturity value of United States government securities (the "Securities") pledged by the District and held under a custodial arrangement by U.S. Bank National Association (the "Custodian"). The present value of these securities is reflected on the District's balance sheet as Deposits for Lease/Leaseback Payable. The District is required to replace the Securities with acceptable substitute collateral if the rating of the United States government, as the issuer of the Securities, falls below AAA by Standard & Poor's Rating Services ("S&P") or Aaa by Moody's Investor Service, Inc. ("Moody's"). Failure to replace the Securities within one year following a downgrade below the applicable rating thresholds could trigger a default which, if uncured, could result in an early termination of the transactions at a substantial cost to the District. On August 5, 2011, S&P downgraded its rating of the United States government from AAA to AA+. As a result of this downgrading, the District was required to replace the Securities with acceptable substitute collateral by August 4, 2012. Under the terms of a forbearance agreement with the District, the Equity Investor has extended the deadline to replace the Securities to August 1, 2013.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

6. LEASES (Continued)

In addition, in accordance with the LOC covenants with Wells Fargo Bank, on August 6, 2012, the District received forbearance from Wells Fargo Bank to extend the timeframe to the earlier of June 30, 2013, and the date on which the Owner Participant rescinds its forbearance under any of the temporary forbearance letters entered into with Borrower. The District cannot predict if the ratings on the Securities will return to their original AAA rating or whether the Equity Investor will provide additional forbearance and/or waive the minimum rating requirements. Because it may not be possible to replace the Securities if the Equity Investor does not agree to extend the deadline further, or to waive the requirement, to replace the Securities, the District could become liable to pay the early termination costs.

The aggregate early termination costs to the District for all three transactions as of August 31, 2012, after accounting for the market value of the Securities, which would be liquidated and the proceeds thereof applied to pay a portion of the early termination costs was approximately \$25.2 million. The District views the risk of early termination of all three transactions as remote. The obligation of the District to pay early termination costs is not secured by a pledge of Farebox Revenues. No assurances can be given; however, that an early termination will not occur. If it were to occur, the impact would have a material adverse impact on the financial condition of the District.

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, 2012 and 2011, the balance of this deposit was \$35,482,912 and \$57,411,268, respectively.

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

Future minimum payments due in fiscal years ending June 30,:	Amount
2013	\$ 3,857,272
2014	-
2015	-
2016	-
2017	-
2018-2022	-
2023-2027	-
2028-2032	14,252,635
2033-2036	<u>83,679,455</u>
Total future minimum payments	101,789,362
Less: imputed interest	<u>(66,306,450)</u>
Present value of minimum lease payments	<u>\$ 35,482,912</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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 7% of total farebox revenues. The total principal and interest remaining to be paid on the COPs were \$6,239,312 and \$8,317,095 at June 30, 2012 and 2011, respectively. Principal and interest paid were \$2,077,783 and \$2,082,282 for the fiscal years ending June 30, 2012 and 2011, respectively. Farebox revenues were \$28,964,148 and \$28,967,228 for the fiscal years ending June 30, 2012 and 2011, respectively.

As of June 30, 2012, debt service requirements to maturity are as follows:

Fiscal Years Ending June 30.:	Principal	Interest	Total
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	<u>\$ 5,740,000</u>	<u>\$ 499,312</u>	<u>\$ 6,239,312</u>

As of June 30, 2012, the unamortized premium and bond issuance cost associated with the COPs were \$202,622 and \$138,573, respectively. As of June 30, 2011, the unamortized bond premium and bond issuance costs were \$278,606 and \$190,537, respectively.

For both fiscal years ended June 30, 2012, and 2011, the amortization of the premium and issuance costs were \$75,984 and \$51,964, respectively.

LOANS PAYABLE

Loans payable include \$7,000,000 from Sacramento County developer fees and \$1,230,039 from Environmental Council of Sacramento (ECOS) lawsuit proceeds. The developer fees were collected pursuant to Sacramento County Ordinance No. 742 (August 31, 1988), as amended, which established transit impact fees for new development. The District was named as the trustee of the funds and is authorized to expend the funds for specified transit purposes. The developer fees were available to be loaned as they have been collected but not yet designated for specific projects.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

7. LONG-TERM DEBT (continued)

In 2009, \$7,500,000 was committed to the District resulting from a settlement between the California Department of Transportation, ECOS and Neighbors Advocating Sustainable Transportation. The District is to use these funds for signal improvements on the Gold Line and to operate limited stop express trains and increase frequency to and from the Hazel light rail station. The ECOS lawsuit proceeds were available to be loaned as the funds will not be needed until the Gold Line is double-tracked to Folsom. The purpose of these loans was to complete the construction of the Green Line to the River District.

Both loans are due in one installment on October 1, 2014, and accrue interest at 1.5% per annum, or the actual rate earned by the Local Agency Investment Fund (LAIF), whichever is greater.

As of June 30, 2012, the principal balance of the developer fees and ECOS loans were \$7,000,000 and \$1,230,039, respectively. Accrued interest was \$62,785 and \$2,005, respectively.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Certificates of Participation Issuance Premium	\$ 7,510,000	\$ -	\$ (1,770,000)	\$ 5,740,000	\$ 1,835,000
Total COP	278,606	-	(75,984)	202,622	75,984
	<u>7,788,606</u>	<u>-</u>	<u>(1,845,984)</u>	<u>5,942,622</u>	<u>1,910,984</u>
Compensated Absences	8,580,462	6,459,198	(6,111,630)	8,928,030	6,289,061
Loans Payable	-	8,230,039	-	8,230,039	-
Advances from Other Governments	24,722,155	23,912,640	(22,974,041)	25,660,754	3,227,053
Claims Payable	19,045,267	4,209,861	(4,962,170)	18,292,958	9,197,946
Lease/Leaseback Payable	57,411,268	2,342,748	(24,271,104)	35,482,912	3,857,272
Long-Term Liabilities	<u>\$ 117,547,758</u>	<u>\$ 45,154,486</u>	<u>\$ (60,164,929)</u>	<u>\$ 102,537,315</u>	<u>\$ 24,482,316</u>

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 Issuance Premium	\$ 9,200,000	\$ -	\$ (1,690,000)	\$ 7,510,000	\$ 1,770,000
Total COP	354,590	-	(75,984)	278,606	75,984
	<u>9,554,590</u>	<u>-</u>	<u>(1,765,984)</u>	<u>7,788,606</u>	<u>1,845,984</u>
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	<u>\$ 159,646,105</u>	<u>\$ 25,175,773</u>	<u>\$ (67,274,120)</u>	<u>\$ 117,547,758</u>	<u>\$ 51,230,950</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

8. FUNDING SOURCES

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

FEDERAL GRANTS

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

	<u>2012</u>	<u>2011</u>
Operating assistance grants:		
FTA Section 5307	\$ 19,388,026	\$ 18,544,542
FTA Section 5309	8,960,006	6,894,870
STP and CMAQ	283,960	241,184
FTA Section 5316	37,774	569,528
FTA ARRA	-	1,123,780
Total Federal operating assistance grants	<u>28,669,766</u>	<u>27,373,904</u>
Capital grants:		
FTA Section 5309	6,216,173	1,487,506
STP and CMAQ	2,591,537	1,209,599
FTA ARRA	808,590	492,470
FTA Section 5307	399,597	348,658
Total Federal capital grants	<u>10,015,897</u>	<u>3,538,233</u>
Total Federal operating and capital grants	<u>\$ 38,685,663</u>	<u>\$ 30,912,137</u>

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

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

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

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

8. FUNDING SOURCES (Continued)

STATE AND LOCAL GRANTS

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

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

	<u>2012</u>	<u>2011</u>
Operating assistance grants:		
Local Transportation Funds	\$ 33,554,746	\$ 27,382,646
Measure A Sales Tax Revenue	30,885,085	28,942,154
State Transit Assistance	<u>4,692,026</u>	<u>1,784,366</u>
Total state and local operating assistance grants	<u>69,131,857</u>	<u>58,109,166</u>
Capital grants:		
Measure A Sales Tax Revenue	12,451,692	21,956,582
State Transit Assistance	4,904,937	3,520,525
Public Transportation Account	4,426,536	3,446,841
Traffic Congestion Relief Program	85,246	3,247,054
Proposition IB	9,131,155	1,976,456
City of Sacramento	130,399	1,003,049
Homeland Security	45,788	555,355
Department of Transportation	309,669	253,776
Developer Fees	1,545,617	145,066
Sacramento Housing and Redevelopment	(30,518)	128,873
Sacramento Area Council of Governments	336,185	140,700
Other	<u>137,180</u>	<u>107,292</u>
Total state and local capital grants	<u>33,473,886</u>	<u>36,481,569</u>
Total state and local grants	<u>\$ 102,605,743</u>	<u>\$ 94,590,735</u>

ADVANCES FROM OTHER GOVERNMENTS

Advances at June 30, consisted of the following:

	<u>2012</u>	<u>2011</u>
Proposition IB	\$ 20,880,596	\$ 11,382,141
Developer Fees	4,004,941	12,557,547
Laguna Facilities District	543,277	543,277
Other	<u>231,940</u>	<u>239,190</u>
Total advances from other governments	<u>\$ 25,660,754</u>	<u>\$ 24,722,155</u>

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

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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:

	2012	2011
Fare Revenues	\$ 28,964,148	\$ 28,967,228
Local Fund Supplementation (Measure A)	3,170,593	2,029,699
Total Revenues	\$ 32,134,741	\$ 30,996,927
Operating Expenses	\$ 157,410,937	\$ 152,794,748
Less Allowable Exclusions:		
Depreciation and Amortization	(31,392,344)	(31,238,071)
Net Operating Expenses	\$ 126,018,593	\$ 121,556,677
Fare Revenue Ratio	25.50%	25.50%

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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 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 ATU Plan and the IBEW Plan are accounted for by the District as one Plan (collectively, the "ATU/IBEW 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/IBEW Plan, the ATU members will fully vest after ten years of service and the IBEW members will fully vest after five years of service. For the Salaried Plan, members represented by the AEA and MCEG fully vest after five years of service. The members of AFSCME fully vest after nine years of service.

Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. The District's Board of Directors and the collective bargaining groups jointly establish and amend benefit provisions for the ATU/IBEW and Salaried Plans. The ATU/IBEW Plan and the Salaried Plan issues a publicly available combined financial report that includes financial statements and required supplementary information. 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.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

10. PENSION PLANS (continued)

FUNDING POLICY

The District contributed 100% of an actuarially determined rate; the rates for the fiscal year ended June 30, 2012, based on the actuarial valuation dated July 1, 2010, were 22.63% or \$7,884,551 and 23.19% or \$4,579,907 of annual covered payroll for the ATU/IBEW and Salaried Plans, respectively. Contribution rates for the fiscal year ended June 30, 2011, based on the actuarial valuation dated July 1, 2009, were 19.42% or \$6,809,060 and 20.30% or \$3,717,655 of annual covered payroll for the ATU/IBEW and Salaried Plans, respectively. 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.

ANNUAL PENSION COST

The annual required contributions for both the ATU/IBEW Plan and Salaried Plan were determined as part of the July 1, 2010, and July 1, 2009, actuarial valuations using the entry age actuarial cost method. The July 1, 2010, and July 1, 2009, actuarial valuation reports were used to determine the contribution rate for fiscal year ended June 30, 2012, and June 30, 2011, respectively. The remaining amortization of the unfunded liability at June 30, 2012, is 22 years and 24 years at June 30, 2011.

The July 1, 2011, actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.51% to 12.54% for ATU/IBEW employees and 3.25% to 15.6% for Salaried employees. Both (a) and (b) included an inflation component of 3.25%. 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.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
ATU/IBEW Employees' Plan:			
6/30/2010	\$ 7,425,798	100.0%	-
6/30/2011	6,809,060	100.0%	-
6/30/2012	7,884,551	100.0%	-
Salaried Employees' Plan:			
6/30/2010	\$ 4,268,586	100.0%	-
6/30/2011	3,717,655	100.0%	-
6/30/2012	4,579,907	100.0%	-
Total ATU/IBEW and Salaried Employees' Plans:			
6/30/2010	\$ 11,694,384	100.0%	-
6/30/2011	10,526,715	100.0%	-
6/30/2012	12,464,458	100.0%	-

FUNDING STATUS AND FUNDING PROGRESS

The funded status of the plans as of July 1, 2011, is as follows:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
ATU/IBEW Employees' Plan:						
06/30/2011	\$ 136,269,214	\$ 200,302,461	\$ 64,033,247	68.0%	\$ 38,558,226	166.1%
Salaried Employees' Plan:						
06/30/2011	\$ 52,145,118	\$ 96,435,226	\$ 44,290,108	54.1%	\$ 19,105,372	231.8%

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

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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, MCEG, ATU, and IBEW. The District also provides life insurance benefits to active and retired members of the AEA, AFSCME, and MCEG. 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 began receiving certain health care benefits. The benefits are mandated by contracted agreements 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 subsidized medical, dental and life insurance for the AEA, AFSCME, and MCEG as well as life insurance and subsidized medical benefits for the 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 sub-accounts within the AEA, AFSCME, and MCEG's irrevocable trust to prefund the ATU and IBEW's required contribution for their respective 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 for all plans.

The District contributes for retired members of AEA, AFSCME, and MCEG 90% or 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 the unequal minimum required contribution set under the Public Employees' Medical & Hospital Care Act (PEMHCA) for retired members of the ATU and IBEW. A total of four hundred and forty-eight and four hundred and ninety-seven employees and/or their beneficiaries were eligible to receive such benefits at June 30, 2012, and 2011, respectively.

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

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

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

11. POST-EMPLOYMENT BENEFITS (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION FOR THE HEALTH BENEFITS FOR THE AEA, AFSCME, AND MCEG

The ARC for the fiscal year ended June 30, 2012, was determined as part of the July 1, 2011, actuarial valuation. The ARC amount was \$2,257,740. For the fiscal years ended June 30, 2012 and 2011, the District's annual OPEB cost (expense) was \$2,257,740 and \$2,192,523, respectively. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

	2012	2011
Annual Required Contribution	\$ 2,257,740	\$ 2,192,523
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost (Expense)	<u>2,257,740</u>	<u>2,192,523</u>
Contributions Made	<u>(2,257,740)</u>	<u>(2,192,523)</u>
Increase (Decrease) in Net OPEB Obligation	<u>\$ -</u>	<u>\$ -</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2012, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2010	\$ 2,779,579	100.0%	-
06/30/2011	\$ 2,192,523	100.0%	-
06/30/2012	\$ 2,257,740	100.0%	-

FUNDING STATUS AND FUNDING PROGRESS

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

Actuarial Accrued Liability (AAL)	\$ 31,500,471
Actuarial Value of Plan Assets	<u>6,458,440</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 25,042,031</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	20.50%
Covered Payroll (Active Plan Members)	<u>\$ 19,755,719</u>
UAAL as a Percentage of Covered Payroll	<u>126.76%</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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, 2012, was determined as part of the July 1, 2011, actuarial valuation. As of June 30, 2012, and 2011, the ARC was \$750,236 and \$-, respectively. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

	<u>2012</u>	<u>2011</u>
Annual Required Contribution	\$ 750,236	\$ -
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost (Expense)	<u>750,236</u>	<u>-</u>
Contributions Made	<u>(750,236)</u>	<u>-</u>
Increase (Decrease) in Net OPEB Obligation	<u>\$ -</u>	<u>\$ -</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2012, and the preceding year were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2011	\$ -	0.0%	\$ -
06/30/2012	\$ 750,236	100.0%	\$ -

FUNDING STATUS AND FUNDING PROGRESS

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

Actuarial Accrued Liability (AAL)	\$ 6,987,147
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 6,987,147</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	<u>\$ 24,404,306</u>
UAAL as a Percentage of Covered Payroll	<u>28.63%</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

11. POST-EMPLOYMENT BENEFITS (Continued)

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

The ARC for the fiscal year ended June 30, 2012, was determined as part of the July 1, 2011, actuarial valuation. As of June 30, 2012, the ARC was \$252,353. This is the first year of the IBEW OPEB plan; therefore, there was no ARC or contribution as of June 30, 2011. 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:

	2012	2011
Annual Required Contribution	\$ 252,353	\$ -
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost (Expense)	252,353	-
Contributions Made	(252,353)	-
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 year ended June 30, 2012, was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2012	\$ 252,353	100.0%	\$ -

FUNDING STATUS AND FUNDING PROGRESS

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

Actuarial Accrued Liability (AAL)	\$ 1,883,351
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,883,351
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	\$ 10,436,860
UAAL as a Percentage of Covered Payroll	18.05%

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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, 2011, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.61% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.0% for fiscal year 2012, reduced by decrements of 0.5% a year to an ultimate rate of 4.5% at 2019 and thereafter. The actuarial valuation also includes a 3.25% salary increase annually and an inflation increase of 3.25% annually.

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.

Effective with the July 1, 2011, valuation the District transitioned to a closed amortization period. The amortization payment for the fiscal year ended June 30, 2012, was developed using a 30 year period with payments determined as a level percent of payroll. The amortization period will decline by one year each fiscal year hereafter. The ARC under this method equals the normal cost plus the amortization of unfunded AAL over a thirty (30) year closed period and is being amortized as a level percentage of increasing payroll. The Plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years in the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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, 2012:

<u>Type of Coverage</u>	<u>Self-insurance (per occurrence)</u>	<u>Excess Coverage (per occurrence)</u>
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 \$100,000	\$100,000 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 \$18,292,958 and \$19,045,267 reported at June 30, 2012 and 2011, 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, 2012, and 2011, 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 \$4,386,585 and \$4,283,589 at June 30, 2012, and 2011, 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, 2012, and 2011 were as follows:

<u>Fiscal Year Ended</u>	<u>Beginning of the Year Liability</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claims Payments</u>	<u>End of the Year Liability</u>
June 30, 2012	\$ 19,045,267	\$ 4,209,861	\$ (4,962,170)	\$ 18,292,958
June 30, 2011	17,935,077	5,254,381	(4,144,191)	19,045,267

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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 \$28,694,676 and \$16,811,251 at June 30, 2012, and 2011, respectively. Federal, state, and local grant funds have been approved for such construction.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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, 2012, and 2011 are as follows:

Balance July 1, 2010	\$	-
Receipts		766,541
Expenses:		
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)
Balance June 30, 2011	<u>\$</u>	<u>-</u>
Balance July 1, 2011	\$	-
Receipts		1,563,524
Expenses:		
LRT Crossing Enhancements		(524)
UTDC Retrofit		(139,504)
Bus Maintenance Facility		(305,851)
ADA Transit Plan Improvements		(8,130)
Replace Neighborhood Ride Vehicles (hybrids)		(35,137)
South Line Phase 2 Extension		(668,883)
Ahern/12th St Crossing Improvement		(866)
Siemens Mid Life Overhaul		(4,293)
Bus Lot Improvements		(78)
LR Platform		(258)
N. Natomas 5 Buses		(400,000)
Balance June 30, 2012	<u>\$</u>	<u>-</u>

**SACRAMENTO REGIONAL TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

14. SUBSEQUENT EVENT

On November 14, 2012 the District Sold \$86,865,000 of Farebox revenue bonds through a negotiated sale with a true interest sold cost of 4.11%. Bond proceeds will be used to fund the South Line Phase 2 project, additional buses, non-revenue vehicles, other capital projects, and the refunding of the 2003 COPS. The maturities of the 2012 Bonds extend through March 1, 2042.

**SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS
AS OF JUNE 30, 2012**

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)
6/30/2009	\$ 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%
6/30/2011	136,269,214	200,302,461	64,033,247	68.0%	38,558,226	166.1%

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, 2012**

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)
6/30/2009	\$ 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%
6/30/2011	52,145,118	96,435,226	44,290,108	54.1%	19,105,372	231.8%

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, 2012**

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)
7/1/2008	\$ -	\$ 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%
7/1/2011	6,458,440	31,500,471	25,042,031	20.50%	19,755,719	126.8%

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%
7/1/2011	-	6,987,147	6,987,147	0.00%	24,404,306	28.6%

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

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)
7/1/2011	\$ -	\$ 1,883,351	\$ 1,883,351	0.00%	\$ 10,436,860	18.0%

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, 2012**

	ATU/IBEW	Salaried	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,408,781	\$ 1,701,383	\$ 6,110,164
Interest, Dividend and Other Receivables	945,144	378,586	1,323,730
Total Current Assets	5,353,925	2,079,969	7,433,894
Long-Term Investments:			
Equity Securities	81,020,673	31,598,688	112,619,361
Fixed Income Securities	54,159,882	20,823,120	74,983,002
Total Long-Term Investments	135,180,555	52,421,808	187,602,363
Total Assets	140,534,480	54,501,777	195,036,257
LIABILITIES			
Liabilities:			
Securities Purchased Payable	3,273,847	1,258,712	4,532,559
Accounts Payable	1,059,209	274,799	1,334,008
Total Liabilities	4,333,056	1,533,511	5,866,567
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 136,201,424	\$ 52,968,266	\$ 189,169,690

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

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

**SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>ATU/IBEW</u>	<u>Salaried</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Employer	\$ 7,884,551	\$ 4,579,907	\$ 12,464,458
Total Contributions	<u>7,884,551</u>	<u>4,579,907</u>	<u>12,464,458</u>
Investment Income:			
Net Increase in Fair Value of Investments	169,427	81,089	250,516
Interest, Dividends, and Other Income	3,332,992	1,282,425	4,615,417
Investment Expenses	<u>(810,770)</u>	<u>(342,041)</u>	<u>(1,152,811)</u>
Net Investment Gain	<u>2,691,649</u>	<u>1,021,473</u>	<u>3,713,122</u>
Total Additions	<u>10,576,200</u>	<u>5,601,380</u>	<u>16,177,580</u>
DEDUCTIONS			
Benefits Paid to Participants	11,755,523	5,099,160	16,854,683
Administrative Expenses	<u>210,063</u>	<u>134,380</u>	<u>344,443</u>
Total Deductions	<u>11,965,586</u>	<u>5,233,540</u>	<u>17,199,126</u>
Increase/(Decrease) in Net Assets	(1,389,386)	367,840	(1,021,546)
Net Assets Held in Trust for Pension Benefits - July 1	<u>137,590,810</u>	<u>52,600,426</u>	<u>190,191,236</u>
Net Assets Held in Trust for Pension Benefits - June 30	<u>\$ 136,201,424</u>	<u>\$ 52,968,266</u>	<u>\$ 189,169,690</u>

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

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

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

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

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These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
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These schedules contain information to help the reader assess the factors affecting the District's ability to generate its fares.	
Debt Capacity	70
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	73
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	75
These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	

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

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

Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net Assets										
Invested in Capital Assets,										
Net of Related Debt	\$ 539,090	\$ 690,299	\$ 717,156	\$ 726,109	\$ 743,350	\$ 752,243	\$ 771,045	\$ 770,304	\$ 778,152	\$ 787,849
Restricted for Capital Projects	6,100	3,069	2,682	2,103	1,928	1,699	2,580	1,841	1,840	4,474
Unrestricted	<u>13,372</u>	<u>3,705</u>	<u>10,461</u>	<u>1,807</u>	<u>9,882</u>	<u>2,695</u>	<u>1,446</u>	<u>(2,093)</u>	<u>(4,287)</u>	<u>(526)</u>
Total Net Assets	<u>\$ 558,562</u>	<u>\$ 697,073</u>	<u>\$ 730,299</u>	<u>\$ 730,020</u>	<u>\$ 755,160</u>	<u>\$ 756,637</u>	<u>\$ 775,071</u>	<u>\$ 770,052</u>	<u>\$ 775,705</u>	<u>\$ 791,797</u>

Source: Comprehensive Annual Financial Report

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

Changes in Net Assets Last Ten Fiscal Years (accrual basis of accounting) (expressed in thousands) Fiscal Year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Revenues										
Fares	\$ 21,745	\$ 22,004	\$ 21,101	\$ 25,072	\$ 27,101	\$ 29,866	\$ 32,571	\$ 30,864	\$ 28,967	\$ 28,964
Operating Expenses										
Labor and Fringe Benefits	62,833	72,483	79,366	85,368	85,887	93,780	91,580	91,203	79,366	82,209
Professional and Other Services	17,029	19,553	21,418	23,555	23,613	26,505	26,584	24,797	20,720	21,417
Spare Parts and Supplies	10,063	11,092	14,468	18,445	14,941	12,188	12,950	11,044	8,524	9,785
Utilities	3,173	4,349	4,389	5,579	4,944	5,550	5,545	5,531	5,741	5,587
Casualty and Liability Costs	10,662	9,308	7,176	7,788	9,774	11,159	7,104	2,286	6,540	6,353
Depreciation and Amortization	17,082	23,233	28,121	28,840	28,434	28,445	30,699	30,870	31,238	31,392
Indirect Costs Allocated to Capital Programs	-	-	-	-	-	-	(2,172)	(863)	(881)	(824)
Other	1,415	1,864	2,092	1,890	1,971	1,896	1,680	1,402	1,547	1,492
Total Operating Expenses	122,256	141,883	157,030	171,465	169,564	179,524	173,970	166,270	152,795	157,411
Operating Loss	(100,511)	(119,879)	(135,929)	(146,393)	(142,462)	(149,658)	(141,399)	(135,407)	(123,828)	(128,447)
Non-Operating Revenues (Expenses)										
Operating Assistance:										
State and Local	52,242	66,877	70,453	78,680	92,839	84,558	70,725	58,135	58,109	69,132
Federal	14,106	11,853	24,400	19,413	21,011	22,804	30,788	34,552	27,374	28,670
Investment Income	2,204	1,076	842	3,882	7,908	8,145	8,911	6,439	4,113	2,456
Interest Expense	(459)	(470)	(634)	(3,805)	(7,900)	(7,951)	(9,154)	(6,792)	(4,401)	(2,722)
Pass Through to Subrecipients	(227)	(752)	(528)	(2,570)	(1,791)	(1,378)	(478)	(3,638)	(4,043)	(4,216)
Contract Services	5,561	5,697	4,970	4,993	5,295	4,732	4,311	4,599	4,362	5,245
Other	1,560	1,728	1,508	1,198	891	4,336	3,304	2,758	3,946	2,485
Total Non-Operating Revenues	74,986	86,010	101,012	101,790	118,253	115,246	108,407	96,052	89,461	101,049
Loss Before Capital Contributions	(25,525)	(33,869)	(34,916)	(44,603)	(24,209)	(34,412)	(32,992)	(39,355)	(34,367)	(27,398)
Capital Contributions										
State and Local	59,605	57,026	14,779	22,287	21,267	29,606	42,441	29,381	36,482	33,474
Federal	63,173	115,451	54,334	21,321	28,082	4,575	8,985	4,955	3,538	10,016
Increase (Decrease) in Net Assets before Extraordinary Item	97,253	138,608	34,196	(995)	25,141	(230)	18,433	(5,019)	5,653	16,092
Extraordinary Loss on Early Extinguishment of Debt	-	(97)	-	-	-	-	-	-	-	-
Special Items	-	-	-	715	-	-	-	-	-	-
Increase (Decrease) in Net Assets after Extraordinary Item	\$ 97,253	\$ 138,511	\$ 34,196	\$ (280)	\$ 25,141	\$ (230)	\$ 18,433	\$ (5,019)	\$ 5,653	\$ 16,092

Source: Comprehensive Annual Financial Report

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

Operating Revenues by Source
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Farebox</u>	<u>Fare Prepayment/ Outlet Sales</u>	<u>Special/ Contracted</u>	<u>Other</u>	<u>Total</u>
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
2012	7,846,435	19,385,804	1,713,635	18,274	28,964,148

Total Revenue Source: Comprehensive Annual Financial Report

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

Principal Fare Revenue Payers
Current Year and Nine Years Ago

<u>Customers</u>	Fiscal Year 2012 Sales		Fiscal Year 2003 Sales	
	Amount	%	Amount	%
Department of Human Assistance	\$ 2,277,736	7.86%	\$ 1,256,894	5.78%
Raley's Family of Fine Stores	1,245,810	4.30%	629,115	2.89%
Department of Transportation	1,015,520	3.51%	456,605	2.10%
Los Rios Community College District	930,478	3.21%	-	0.00%
Employment Development Department	896,285	3.09%	563,655	2.59%
Alta California Regional Center	784,200	2.71%	546,227	2.51%
California Environmental Protection Agency	762,217	2.63%	-	0.00%
Health & Human Services	752,925	2.60%	367,983	1.69%
Franchise Tax Board	738,995	2.55%	283,428	1.30%
California State University Sacramento	722,832	2.50%	429,981	1.98%
Water Resources Department	-	0.00%	772,110	3.55%
Department of Motor Vehicles	-	0.00%	283,428	1.30%
Subtotal (10 Largest)	10,126,998	34.96%	5,589,426	25.70%
Balance from other customers	<u>18,837,150</u>	<u>65.04%</u>	<u>16,155,430</u>	<u>74.30%</u>
Grand Total	<u><u>\$ 28,964,148</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 21,744,856</u></u>	<u><u>100.00%</u></u>

Total Revenue Source: Comprehensive Annual Financial Report

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

**Ratio of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Certificates of Participation 1992	Certificates of Participation 2003	Line of Credit	Notes Payable	Total Debt	Six-County Region Percentage of Personal Income	Six-County Region Per Capita
2003	\$ 5,400,000	\$ -	\$ -	\$ -	\$ 5,400,000	0.01%	2.55
2004	-	18,000,000	-	-	18,000,000	0.02%	8.34
2005	-	16,630,000	-	-	16,630,000	0.02%	7.59
2006	-	15,230,000	8,000,000	-	23,230,000	0.03%	10.47
2007	-	13,805,000	-	-	13,805,000	0.02%	6.15
2008	-	12,335,000	10,500,000	-	22,835,000	0.02%	10.04
2009	-	10,805,000	20,000,000	-	30,805,000	0.03%	13.40
2010	-	9,200,000	11,100,000	-	20,300,000	0.02%	8.74
2011	-	7,510,000	7,600,000	-	15,110,000	Not available	6.49
2012	-	5,740,000	10,000,000	8,230,039	23,970,039	Not available	10.24

Source: Comprehensive Annual Financial Report

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

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

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

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

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

	2003 Official Statement	FY 2012 CAFR Page No.	FY 2012 Adopted Budget
1 Management Discussion and Analysis, Audited Financial Statements and Statistical Information		3-83	
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		77,78,79,80	
Historical Operating Results		14,66,67	
Farebox Recovery Ratios		44,77	
Historical Nonoperating Revenues – 10 year funds		75,76	
Measure A Funding Trends		43,76	
LTF Revenue Funding Trends		43,76	
STA Funds Available to and Utilized by the District		43,76	
Federal Grant Moneys Available to the District		42,75	
Adopted Operating Budget			38
Capital Project Expenditure Plan			109

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

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Fare Revenue	Non-Fare Revenues	Total Revenue	Less Operating Expense	Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
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)
2012	28,964,148	101,258,250	130,222,398	124,598,383	5,624,015	1,770,000	307,783	2.71

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

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

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

Demographic and Economic Indicators
Last Ten Fiscal Years

	Population ^{1,2}		Personal Income ^{1,2} (In Thousands)		Per Capital Personal ¹ Income		Unemployment Rate ³	
	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region
2003	1,328,531	2,117,946	42,564,972	69,870,550	32,039	32,990	5.90%	6.10%
2004	1,348,932	2,158,889	45,282,367	75,034,013	33,569	34,756	5.60%	5.80%
2005	1,360,816	2,189,899	47,563,421	79,258,385	34,952	36,193	5.00%	5.20%
2006	1,369,563	2,218,269	50,165,916	84,523,505	36,629	38,103	4.80%	4.90%
2007	1,381,161	2,245,937	52,572,684	88,921,252	38,064	39,592	5.40%	5.60%
2008	1,394,438	2,273,938	54,078,812	92,217,442	38,782	40,554	7.20%	7.40%
2009	1,408,601	2,298,630	52,377,247	89,058,617	37,184	38,744	11.30%	11.50%
2010	1,422,094	2,321,806	53,612,730	91,477,503	37,700	39,399	12.70%	12.90%
2011	1,427,961	2,327,914	Not available	Not available	Not available	Not available	12.10%	12.30%
2012	1,435,153	2,341,006	Not available	Not available	Not available	Not available	11.00%	11.50%

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

1. 2003-2010 U.S. Department of Commerce, Bureau of Economic Analysis, *CA1-3 Personal income population, per capital personal income*.

2. 2011-2012 State of California, Department of Finance, E-1 City, County and State Population Estimates, 2011–2012.

3. State of California, Employment Development Department, Labor Force & Employment Data

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

Principal Employers
Current Year and Ten Years Ago

Employer	Fiscal Year 2012			Fiscal Year 2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of California	69,763	1	11.46%			
Sacramento County	11,450	2	1.88%			
UC Davis Health System	7,725	3	1.27%	9,000	1	1.48%
Dignity Health	7,069	4	1.16%	6,709	6	1.10%
Intel Corporation	6,633	5	1.09%	7,000	5	1.15%
Kaiser Permanente	6,360	6	1.04%	7,480	4	1.23%
Sutter Health Sacramento Sierra Region	5,765	7	0.95%	8,250	2	1.35%
Elk Grove Unified School District	5,021	8	0.82%			
Sacramento City Unified School District	5,000	9	0.82%			
San Juan Unified School District	4,700	10	0.77%			
Raley's Inc.				7,746	3	1.27%
SBC Communications				5,753	7	0.94%
Hewlett-Packard				4,000	8	0.66%
Bank of America				3,500	9	0.57%
Wal-Mart				3,220	10	0.53%
Total	129,486		21.26%	62,658		10.28%

Sources: Fiscal Year 2012, Sacramento Business Journal
Fiscal Year 2003, Sacramento Area Commerce and Trade Organization

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

**District Profile
As of June 30, 2012**

Date the Authority began Operations	April 1, 1973
Form of Governance	Board of Directors, with General Manager
Metropolitan Population	1.4 million
Total Employees	901
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 1.7 million
Local Financial Support	Local Transportation Funds Measure A Sales Tax Revenue
Number of Bus Routes	65
Number of Rail Lines	3
Miles of Rail	38.6
Weekday Bus Revenue Service Miles	22,406
Weekday Rail Revenue Service Miles	12,970
Average Weekday Bus and Rail Riders	91,235
Number of Vehicles in Service	176 Compressed Natural Gas (CNG) Buses 26 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	50

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

TEN YEAR FUNDING HISTORY

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

	FEDERAL FUNDS							
	Federal Transit Funds					Federal Highway Discretionary Funds	ARRA	Other
	Section 5307	Section 5309 Fixed Guideway	Section 5309 Bus	Section 5309 New Start	Section 5316/5317 JARC/NF			
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	-	-	285,313	-	-	-
2012	18,676,000	6,003,331	5,000,000	-	615,000	-	-	(3) 384,912

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.

(3) Homeland Security, Tansit Security Grant program

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

TEN YEAR FUNDING HISTORY

The following table shows available funding that the District has been awarded over the last ten years from our major 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
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
2012	-	25,984,490	44,918,182	34,671,997	9,596,963

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.

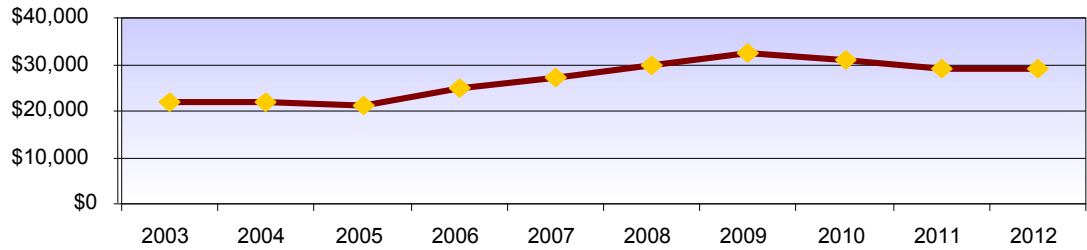
(1) Of the \$15.7 million, \$4.7 million was appropriated for operating purposes with the remaining amounts assigned to various capital projects.

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

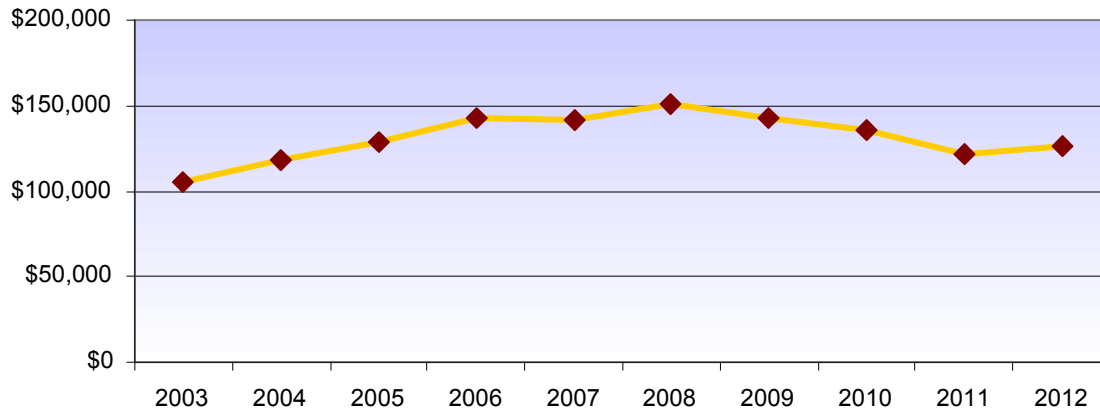
**FARE RECOVERY
LAST TEN FISCAL YEARS**
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fare Revenue	\$21,745	\$22,004	\$21,101	\$25,072	\$27,101	\$29,866	\$32,571	\$30,864	\$28,967	\$28,964
Local Fund Supplementation	5,074	8,252	11,771	11,297	8,887	8,659	3,963	3,663	2,030	3,171
Total Operating Expenses	105,173	118,650	128,909	142,625	141,129	151,079	143,271	135,400	121,557	126,019
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
(amounts expressed in thousands)



TOTAL OPERATING EXPENSES
(amounts expressed in thousands)



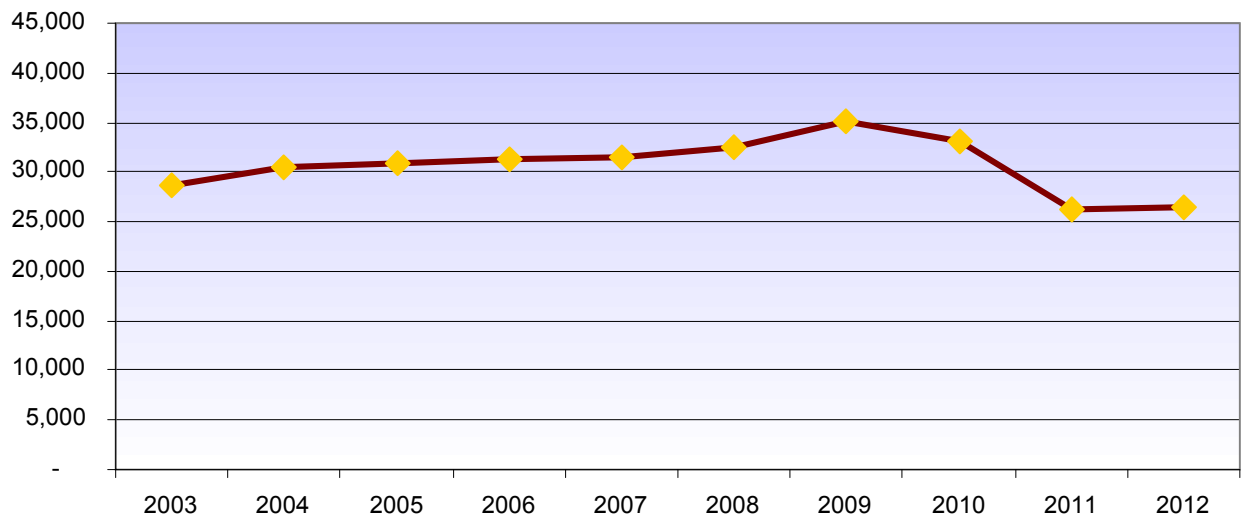
Source: Comprehensive Annual Financial Report

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

**RIDERSHIP
LAST TEN FISCAL YEARS**
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Ridership	28,616	30,469	30,938	31,230	31,951	32,951	35,050	33,060	26,161	26,338
% change	7.54%	6.48%	1.54%	0.94%	2.31%	3.13%	6.37%	(5.68%)	(20.87%)	0.68%

RIDERSHIP
(amounts expressed in thousands)



Source: District Planning Department
NTD Statistics

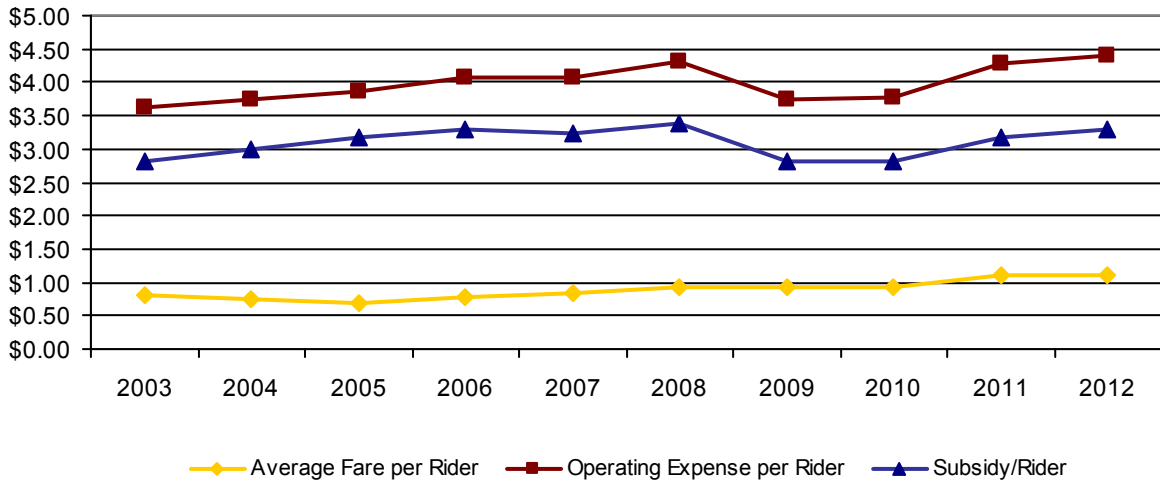
**SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)**

**OPERATING SUBSIDY
LAST TEN FISCAL YEARS**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average Fare per Rider	\$0.80	\$0.74	\$0.68	\$0.77	\$0.83	\$0.92	\$0.93	\$0.93	\$1.11	\$1.10
Operating Expense per Rider ¹	\$3.62	\$3.73	\$3.87	\$4.07	\$4.07	\$4.30	\$3.75	\$3.76	\$4.28	\$4.39
Subsidy/Rider	\$2.82	\$2.99	\$3.19	\$3.30	\$3.24	\$3.38	\$2.82	\$2.82	\$3.17	\$3.29

¹ Operating expense per rider excludes Paratransit and depreciation costs.

OPERATING EXPENSE & SUBSIDY PER RIDER



Source: Comprehensive Annual Financial Report

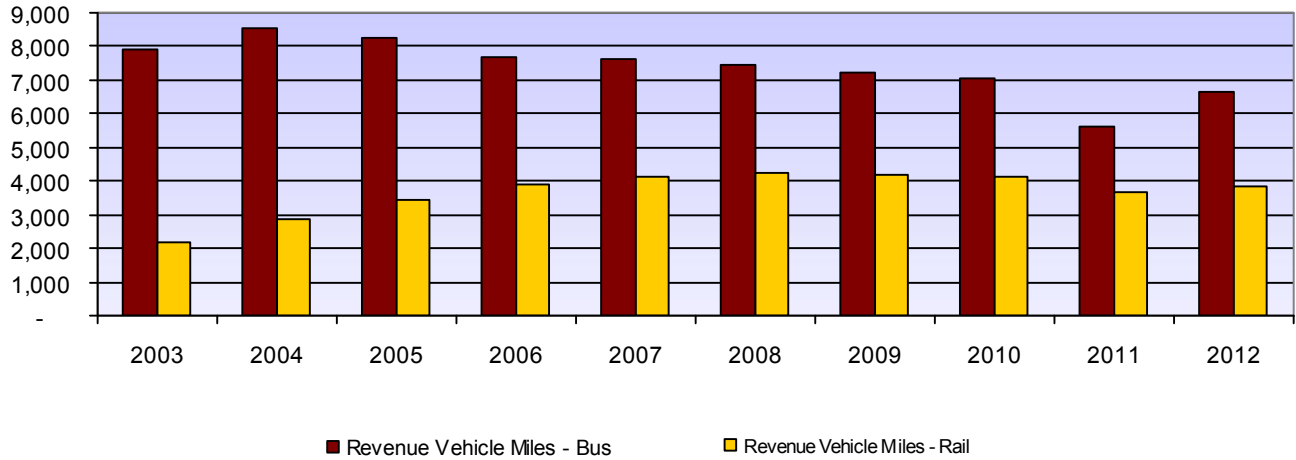
District Planning Department
NTD Statistics

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

**SERVICE PERFORMANCE DATA
LAST TEN FISCAL YEARS
(* amounts expressed in thousands)**

SERVICE PROVIDED	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
BUS										
Revenue Vehicle Miles - Bus*	7,923	8,566	8,239	7,688	7,638	7,431	7,244	7,032	5,590	6,632
Revenue Vehicle Hours*	614.7	696.7	749.0	710.9	702.8	677.7	652.0	628.2	501.2	506.0
# Vehicles	247	275	275	275	269	271	271	233	229	229
RAIL										
Revenue Vehicle Miles - Rail*	2,171	2,879	3,429	3,888	4,128	4,267	4,213	4,120	3,697	3,823
Revenue Vehicle Hours*	105.8	149.8	197.3	208.9	209.7	216.7	213.1	208.6	191.1	203.3
Train Revenue Hours*	46.4	65.4	83.3	81.5	81.6	81.9	81.7	81.4	69.3	70.0
# of Vehicles	36	76	76	76	76	76	76	76	76	76

SERVICE PROVIDED



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
BUS										
Passengers*	19,756	19,447	18,929	16,778	17,461	17,466	17,735	17,579	13,617	13,146
Passenger Miles*	75,325	67,701	61,747	54,559	54,551	57,444	59,001	61,417	47,525	46,521
RAIL										
Passengers*	8,859	11,022	12,009	14,452	14,490	15,485	17,315	15,481	12,544	13,192
Passenger Miles*	47,365	56,948	60,682	78,181	78,760	85,807	93,087	83,409	72,860	74,706
TOTAL										
Passengers*	28,615	30,469	30,938	31,230	31,951	32,951	35,050	33,060	26,161	26,338
Passenger Miles*	122,690	124,649	122,430	132,740	133,311	143,251	152,088	144,826	120,385	121,227
FLEET										
Bus	247	275	275	275	269	271	271	233	229	219
Rail	36	76	76	76	76	76	76	76	76	76
TOTAL EMPLOYEES	1,161	1,154	1,164	1,198	1,162	1,125	1,087	907	901	901

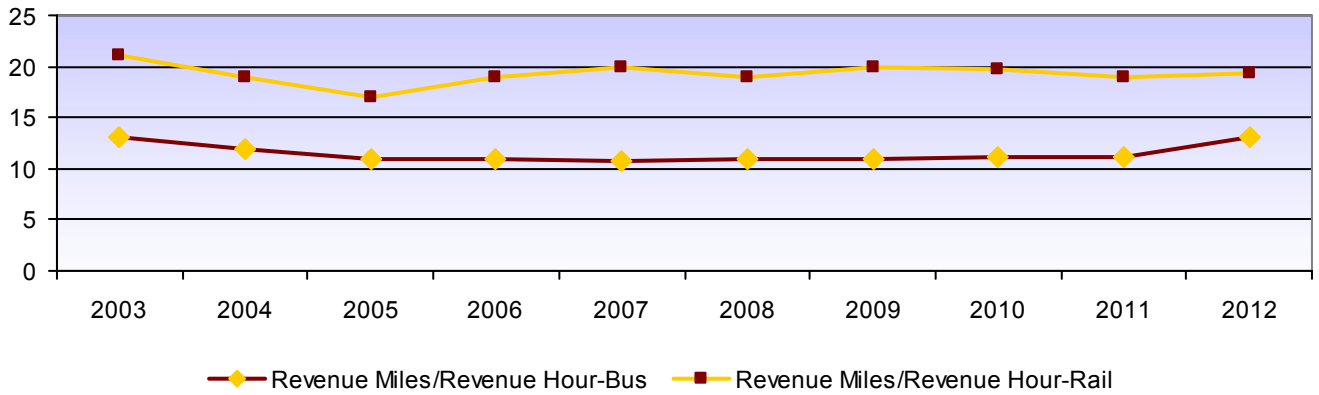
Source: District Planning Department; NTD Statistics

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenue Miles/Revenue Hour-Bus	13	12	11	11	11	11	11	11	11	13
Revenue Miles/Revenue Hour-Rail	21	19	17	19	20	19	20	20	19	19

SERVICE PERFORMANCE DATA



Source: District Planning Department; NTD Statistics

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

**FARES
(As of June 30, 2012)**

Single and Daily Pass Fares

<u>Rider Type</u>	<u>Fare Type</u>	<u>Single Ride</u>	<u>Daily Pass</u>
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

<u>Fare Book Type</u>	<u>Fare Type</u>	<u># of Tickets</u>	<u>Book Price</u>
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

<u>Fare/Rider Type</u>	<u>Price</u>
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.*

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

PERFORMANCE MEASURES

Performance Measures in Sacramento's Peer Transit Agencies						
City, State	2010 Urban Area Population	2010 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	1,723,634 (28)	\$ 4.27 (6)	\$ 10.68 (3)	\$ 119.51 (4)	\$ 3.34 (5)	21.9% (4)
Buffalo, NY	935,906 (46)	4.46 (5)	8.84 (6)	114.23 (5)	3.21 (6)	28.1% (1)
Charlotte, NC	1,249,442 (38)	3.72 (7)	7.03 (8)	97.25 (8)	2.94 (7)	21.1% (5)
Columbus, OH	1,368,035 (36)	4.65 (4)	8.73 (7)	108.10 (6)	3.75 (4)	19.5% (6)
Long Beach, CA	12,150,996 (2)	2.41 (8)	9.83 (5)	101.60 (7)	1.84 (8)	23.6% (2)
San Carlos, CA	3,281,212 (13)	6.83 (1)	14.37 (1)	162.19 (2)	5.56 (1)	18.6% (7)
San Jose, CA	1,664,496 (29)	6.29 (2)	13.22 (2)	162.86 (1)	5.41 (2)	13.9% (8)
Tacoma, WA	3,059,393 (14)	5.03 (3)	10.13 (4)	125.26 (3)	3.88 (3)	23.0% (3)
Average for Bus Peers	3,387,069	4.77	10.31	124.50	3.80	21.1%
RAIL PEERS						
Sacramento, CA	1,723,634 (28)	3.12 (4)	11.75 (4)	232.00 (3)	2.18 (4)	30.2% (5)
Dallas, TX	5,121,892 (6)	6.29 (1)	22.66 (1)	451.33 (1)	5.50 (1)	12.6% (7)
Denver, CO	2,374,203 (18)	3.56 (3)	8.96 (5)	170.18 (5)	2.45 (3)	31.1% (4)
Portland, OR	1,849,898 (24)	2.51 (5)	13.06 (3)	187.85 (4)	1.64 (5)	34.7% (3)
Salt Lake City, UT	1,021,243 (42)	2.09 (6)	8.62 (6)	124.01 (7)	1.31 (6)	37.2% (2)
San Diego, CA	2,956,746 (15)	2.00 (7)	7.87 (7)	137.67 (6)	0.91 (7)	54.3% (1)
San Jose, CA	1,664,496 (29)	5.81 (2)	18.77 (2)	308.97 (2)	4.93 (2)	15.2% (6)
Average for Rail Peers	2,498,080	3.71	13.32	230.00	2.79	30.9%
<i>Source: National Transit Database. 2010 Transit Profiles - All Agencies</i>						

**SACRAMENTO REGIONAL
TRANSIT DISTRICT**

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

YEAR ENDED JUNE 30, 2012

SACRAMENTO REGIONAL TRANSIT DISTRICT

YEAR ENDED JUNE 30, 2012

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SACRAMENTO REGIONAL TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

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-05-0267	\$ 6,003,331
Federal Transit - Capital Investment Grants	20.500	CA-03-0806	5,261,174
Federal Transit - Capital Investment Grants	20.500	CA-03-0630	2,983,063
Federal Transit - Capital Investment Grants	20.500	CA-04-0013	766,482
Federal Transit - Capital Investment Grants	20.500	CA-03-0713	<u>162,130</u>
Total 20.500			<u>15,176,180</u>
Federal Transit - Formula Grants	20.507	CA-90-Y962	18,450,000
Federal Transit - Formula Grants	20.507	CA-95-X029	2,776,415
Federal Transit - Formula Grants	ARRA 20.507	CA-96-X060	808,591
Federal Transit - Formula Grants	20.507	CA-90-Y893	595,000
Federal Transit - Formula Grants	20.507	CA-90-Y356	313,368
Federal Transit - Formula Grants	20.507	CA-90-X975	199,991
Federal Transit - Formula Grants	20.507	CA-90-Y742	132,331
Federal Transit - Formula Grants	20.507	CA-90-Y161	66,840
Federal Transit - Formula Grants	20.507	CA-90-Y289	61,743
Federal Transit - Formula Grants	20.507	CA-90-Y791	53,937
Federal Transit - Formula Grants	20.507	CA-90-Y078	25,705
Federal Transit - Formula Grants	20.507	CA-90-Y471	22,454
Federal Transit - Formula Grants	20.507	CA-90-X942	14,126
Federal Transit - Formula Grants	20.507	CA-90-Y633	11,185
Federal Transit - Formula Grants	20.507	CA-90-X800	<u>(59,977)</u>
Total 20.507			<u>23,471,709</u>
Total Federal Transit Cluster			<u>38,647,889</u>
Jobs Access - Reverse Commute	20.516	CA-37-X065	<u>37,774</u>
Total 20.516			<u>37,774</u>
Total U.S. Department of Transportation			<u>37,774</u>
Total Federal Expenditures			<u>\$ 38,685,663</u>

SACRAMENTO REGIONAL TRANSIT DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2012

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	\$ 37,774
Total	<u>\$ 37,774</u>

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

City of Folsom	\$ 2,904,962
City of Sacramento	44,378
City of Placerville	<u>7,336</u>
Total	<u>\$ 2,956,676</u>

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

Paratransit	\$ 268,979
El Dorado County Transit Authority	210,915
City of Folsom	458,131
City of Rancho Cordova	<u>283,959</u>
Total	<u>\$ 1,221,984</u>

3. FEDERAL AWARDS PAYABLE

During the fiscal year ended June 30, 2012, the District identified payments totaling \$59,977 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.



**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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 20, 2012. 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.

**Members of the Board of Directors
Sacramento Regional Transit District
Sacramento Area Council of Governments
Page 2**

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
Sacramento, California**

November 20, 2012



**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's (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, 2012. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

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.

**Members of the Board of Directors
Sacramento Regional Transit District
Sacramento Area Council of Governments
Page 2**

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, 2012, and have issued our report thereon dated November 20, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements 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
Sacramento, California**

November 20, 2012

SACRAMENTO REGIONAL TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2012

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500 and 20.507	Federal Transit Cluster
Dollar threshold used to distinguish between Type A and Type B programs	\$ 1,162,369
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL COMPLIANCE

None.

SACRAMENTO REGIONAL TRANSIT DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS YEAR ENDED JUNE 30, 2012

There were no findings in the prior year.



**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, 2012, and have issued our report thereon dated November 20, 2012. 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, 2012. 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.

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. 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 20, 2012.

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 Matters

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.

**Members of the Board of Directors
Sacramento Regional Transit District
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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 20, 2012