REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
10	11/11/13	Open	Action	11/11/13

Subject: Receive and File the Comprehensive Annual Financial Reports and Designate the Reserve for Fiscal Year June 30, 2013.

ISSUE

Receive and File the Comprehensive Annual Financial Report (CAFR), Reports on Compliance and Internal Controls as required by OMB Circular A-133 and the Transportation Development Act, the Report to the Board of Directors for the Fiscal Year Ended June 30, 2013, and Designate ~~$3,022,911~~ **$2,658,910** as the Reserve for the Fiscal Year ended June 30, 2013.

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, 2013, and Designate ~~$3,022,911~~ **$2,658,910** as the Reserve for the Fiscal Year Ended June 30, 2013.

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 ~~$3,022,911~~ **$2,658,910** 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, 2013. 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 net position increased by $14.8 million as of June 30, 2013. This figure is comprised of an increase of ~~$3.0~~ **$2.7** million from operations and $~~11.8~~ **$12.1** million in contributions received in

Approved: Revised Final 11/11/13
General Manager/CEO

Presented:
Director, Finance and Treasury

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
10	11/11/13	Open	Action	11/11/13

Subject:	Receive and File the Comprehensive Annual Financial Reports and Designate the Reserve for Fiscal Year June 30, 2013.

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.

Summary

The CAFR presentation differs from the District's operating and capital budgets in that the CAFR combines both operating and capital activities. To assist the Board in its review, Attachment 1 is provided to show the District's operating and capital funds separately. As of June 30, 2013, the District's operating results were as follows: $30.0 million in fare revenues, ~~$1.1~~ **$136.1** million in operating expenses, and $~~134.3~~ **$109.0** 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 $0.6 million, and net unfavorable variances in operating revenues of ($0.3) million and non-operating revenues of (~~$1.9~~ **3.1)** million.

Operating Revenues

The District's FY2013 total operating revenue and contracted services revenues totaled $35.4 million. The net unfavorable operating revenues variance of ($0.3) million was primarily due to a shortfall in expected fare revenue which may be attributed to lower than anticipated initial ridership response from the implementation of service changes recommended for the first phase of TransitRenewal.

Operating Expenses

Operating expenses totaled $136.1 million, a favorable variance of $0.6 million from the adopted budget of ~~$136.3~~ **$136.7** million. The net favorable operating expense variance can mainly be attributed to lower than anticipated utility costs as well as public liability, property damage, and workers compensations claims. 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 aging buses, light rail vehicles, and fare vending machines.

Non-Operating Revenues (Expenses)

The net unfavorable non-operating revenue (expense) variance of ~~($2.7~~ **3.1)** million can be attributed to the District receiving lower than anticipated revenues related to Local Transportation and Measure A Funds.

Operating Results

The District concluded the FY2013 year with an available operating reserve of ~~$3.0~~ **$2.7** million. After accounting for the $5.2 million reserve in FY2012, the District ended the year with an available reserve of ~~$8.3~~ **$7.9** million.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
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Subject:	Receive and File the Comprehensive Annual Financial Reports and Designate the Reserve for Fiscal Year June 30, 2013.

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.

Staff Recommendation:

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

- Fiscal Year 2013 Statement of Revenue and Expense per Funding Designations – Attachment 1
- Fiscal Year 2013 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

Staff recommends that the Board receive and file the comprehensive annual financial reports as listed and designated ~~$3,022,911~~ **$2,658,910** as the reserve for the Fiscal Year ended June 30, 2013.

Revised 11/11/13 ATTACHMENT 1

Fiscal Year 2013
Statement of Revenues and Expenses
Per Funding Designation

Statement of Revenues and Expenses	FY 2013 Funding Designation Original IP Attachment	Operations	Original IP Attachment	Capital Improvement Program	Total
OPERATING REVENUES (Fares)		**$ 29,758,679**		**$ -**	**$ 29,758,679**
OPERATING EXPENSES					
Labor and Fringe Benefits		88,064,241		-	88,064,241
Professional and Other Services		24,215,010		780,843	24,995,853
Spare Parts and Supplies		9,692,488		824,339	10,516,827
Utilities		5,638,681		-	5,638,681
Casualty and Liability Costs		7,909,686		-	7,909,686
Depreciation and Amortization		-		31,380,082	31,380,082
Indirect Costs Allocated to Capital Programs		(762,778)		-	(762,778)
Other		1,346,466		50,000	1,396,466
Total Operating Expenses	**-**	**136,103,794**	**-**	**33,035,264**	**169,139,058**
Loss from Operations	**-**	**(106,345,115)**	**-**	**(33,035,264)**	**(139,380,379)**
NON-OPERATING REVENUES (EXPENSES)					
Operating Assistance					
State and Local		71,275,441		-	71,275,441
Federal	~~29,334,329~~	28,970,328	~~1,672,427~~	2,036,428	31,006,756
Investment Income		1,754,549			1,754,549
Interest Expense		(2,016,851)		(505,611)	(2,522,462)
Pass Through to Subrecipients		-		(1,672,427)	(1,672,427)
Contract Services		5,606,614		-	5,606,614
Other		3,413,944			3,413,944
Total Non-operating Revenues (Expense)	~~**109,368,026**~~	**109,004,025**	~~**(505,611)**~~	**(141,610)**	**108,862,415**
Increase (Decrease) in Net Position Before Capital Contributions and Special Item	~~**3,022,911**~~	**2,658,910**	~~**(33,540,875)**~~	**(33,176,874)**	**(30,517,964)**
Capital Contributions					
State and Local	-	-		35,836,495	35,836,495
Federal	-	-		9,331,167	9,331,167
Special Item: Gain on extinguishment of debt				154,904	154,904
Increase in Net Position	~~**$ 3,022,911**~~	**$ 2,658,910**	~~**$ 11,781,691**~~	**$ 12,145,692**	**$ 14,804,602**

Reserve

FY2012 Reserve		$ 5,245,448
Net Income/Position FY2013	~~3,022,911~~	2,658,910
Total Available for Reserve June 30, 2013	~~**$ 8,268,359**~~	**$ 7,904,358**

Revised 11/11/13 ATTACHMENT 2

Fiscal Year 2013
Statement of Revenues and Expenses
Operating Budget to Actual Expenses

Statement of Revenues and Expenses	FY 2013 Budget to Actual Expenses					
	Approved Budget	Original IP Attachment	Adjusted Operating Results		Variance (Unfavorable)/ Favorable	Percent Variance
OPERATING REVENUES						
Fares	**$ 29,964,536**		**$ 29,758,679**		**$ (205,857)**	**-0.7%**
Contracted Services	**5,651,412**		**5,606,614**		**(44,798)**	**-0.8%**
Subtotal	**35,615,948**		**35,365,293**		**(250,655)**	**-0.7%**
OPERATING EXPENSES						
Labor and Fringe Benefits	86,886,937		88,064,241		(1,177,304)	-1.4%
Professional and Other Services	24,749,642		24,215,010		534,632	2.2%
Spare Parts and Supplies	9,558,497		9,692,488		(133,991)	-1.4%
Utilities	6,080,950		5,638,681		442,269	7.3%
Casualty and Liability Costs	8,226,939		7,909,686		317,253	3.9%
Depreciation and Amortization	-		-		-	
Indirect Costs Allocated to Capital Programs	(902,677)		(762,778)		(139,899)	15.5%
Other	2,082,331		1,346,466		735,865	35.3%
Total Operating Expenses	**136,682,619**		**136,103,794**		**578,825**	**0.4%**
(Loss) Income from Operations	**(101,066,671)**		**(100,738,501)**		**328,170**	**-0.3%**
NON-OPERATING REVENUES (EXPENSES)						
Operating Assistance						
State and Local	74,484,278		71,275,441		(3,208,837)	-4.3%
Federal	28,492,822	~~29,334,329~~	28,970,328	~~841,507~~	477,506	1.7%
Investment Income	1,925,799		1,754,549		(171,250)	-8.9%
Interest Expense	(1,725,799)		(2,016,851)		(291,052)	16.9%
Advertising	575,000		800,497		225,497	39.2%
Commercial Income/Other	2,754,563		2,613,447		(141,116)	-5.1%
Total Non-operating Revenues (Exp)	**106,506,663**	~~**103,761,412**~~	**103,397,411**	~~**(2,745,251)**~~	**(3,109,252)**	**-2.9%**
Net Gain in Position	**5,439,992**	~~**3,022,911**~~	**2,658,910**		**-**	**-**
Available Operating Reserve	**$ 5,439,992**	~~**$ 3,022,991**~~	**$ 2,658,910**		**-**	**-**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Sacramento Regional Transit District for the Fiscal Years Ended
June 30, 2013 and 2012

TABLE OF CONTENTS

Regional Transit

ıacramento Regional Transit District
A Public Transit Agency
Equal Opportunity Employer

Mailing Address:
P.O. Box 2110
:ramento, CA 95812-2110

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

Light Rail Office:
2700 Academy Way
Sacramento, CA 95815
(916) 648-8400

'ublic Transit Since 1973

www.sacrt.com

November 11, 2013

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, 2013 and 2012.

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, 2013 and 2012, 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 unmodified opinion that the District's financial statements for the fiscal years ended June 30, 2013 and 2012, 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 27 million passengers in fiscal year ended June 30, 2013. 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), divison 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 department 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 2013 was 8.9 percent down from 10.8 percent in 2012. The Sacramento region's annual unemployment rate is forecast to improve 7.6 percent and 5.5 percent in 2014 and 2015 respectively.

Residential construction, as measured by building permits, is projected to increase to approximately 5,500 permits in fiscal year 2014 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 5.7 percent in the Sacramento region in 2013 compared to 2012. It is estimated that taxable sales in 2014 will increase in the 3 to 4 percent range as compared to 2013 levels.

The improved job growth and 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 remain high in the long-term and traffic congestion is expected to worsen with population growth. The District provides a vital service to the region, but the continuing need remains for a comprehensive incremental change in the quality, coverage and frequency of transit to make it the mobility option of choice.

Over the past few 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. Some of the key projects include upgrading and installing security cameras, and electronic message signs at key light rail stations; the opening of the Green Line to the River District, the first phase of the Green Line to the Airport light rail extension project; the opening of the Bus Maintenance Facility 2; construction of two aerial (light rail) bridges and the opening of a 2,000-space parking structure in June 2013 as part of the South Line Phase 2 (Blue Line to Cosumnes River College) light rail extension project. The District finalized a Full Funding Grant Agreement in December 2012 for the South Line Phase 2 project, which secured Federal funding for the project. In addition, careful fiscal planning over the past few years has enabled reserves to be designated while restoring service toward reaching pre-2010 service cut levels.

TransitRenewal – 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 20.1 percent of service that was discontinued in June 2010. Service improvements implemented in fiscal year 2013 (September 2012) include extended night service on light rail and nine major bus routes, increased frequency on highly-utilized bus routes, and restructured bus routes to better serve riders. A total of 8.5% of service has been restored toward the TransitRenewal goal.

South Line Phase 2 – South Line Phase 2 (Blue Line to Cosumnes River College) 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 the existing terminus at Meadowview Road to Cosumnes 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 will improve overall system accessibility, provide jobs and help improve air quality. The August 2013 groundbreaking of the South Line Phase 2 project at the site of the future Franklin light rail station marked the start of an expected two-year construction process of the entire extension.

ii. Parking Structure – The South Line Phase 2 Project also involves the addition of a four-story, 2,000-space parking structure located at the east entrance of Cosumnes River College. Built through a partnership between RT and the Los Rios Community College District, the parking structure was completed and opened in June 2013. The parking structure opening represents one of the first major milestones of the South Line Phase 2 project.

iii. Aerial Bridges – The South Line Phase 2 Project also includes two aerial (light rail) bridges at Morrison Creek and Cosumnes River Boulevard. The aerial bridges are expected to be completed by winter 2013.

Smart Card - The District, along with SACOG and six other transit agencies have embarked on a smart card based regional transit fare payment system named "Connect Transit Card," 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 counts and improved service quality. Much headway on the project was made in 2013 in developing the smart card system, manufacturing the smart card equipment, and preparing the light rail stations for the new equipment. Prototype testing of the smart card systems will begin in November 2013 with live operations, starting with the District, 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 facility in midtown Sacramento and provide a secondary fueling facility in the Sacramento area. In February 2013, BMF2's new technologically-advanced compressed Natural Gas (CNG) fueling facility opened. The District has the capability to fuel its entire CNG bus fleet if a major incident were to disrupt the operation of the main facility as well as contract with other public agencies and transportation providers in our area to provide CNG fueling services. The District is also the designated evacuation services provider for many entities, including the City of Sacramento and County of Sacramento.

Ridership Campaign – In spring 2013, the District launched a ridership campaign known as "My Line." The goal of the campaign is to encourage new riders to discover the benefits of taking transit. The promotional elements are designed to engage the audience in a personal way, so that they can connect their lifestyle with that of the person featured in the ads.

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)

Most of the federal and state revenues that the District receives are generated by the 5307/5309/5337 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 and vehicle replacements. Additional information on the bond issuance can be found on page 42, #7 Long-Term Debt, 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 2012 Series Revenue Bonds. The required continuing disclosure items and their locations within the CAFR are presented on page 76.

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, 2012 and 2011. 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 13th 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

Government Finance Officers Association

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, 2012

Executive Director/CEO

Sacramento Regional Transit District

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Phil Serna, County of Sacramento, **Vice Chair**
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Board of Directors Alternates

Steven Detrick, City of Elk Grove
Mel Turner, City of Citrus Heights
David Sander, City of Rancho Cordova

General Manager/CEO

Michael R. Wiley

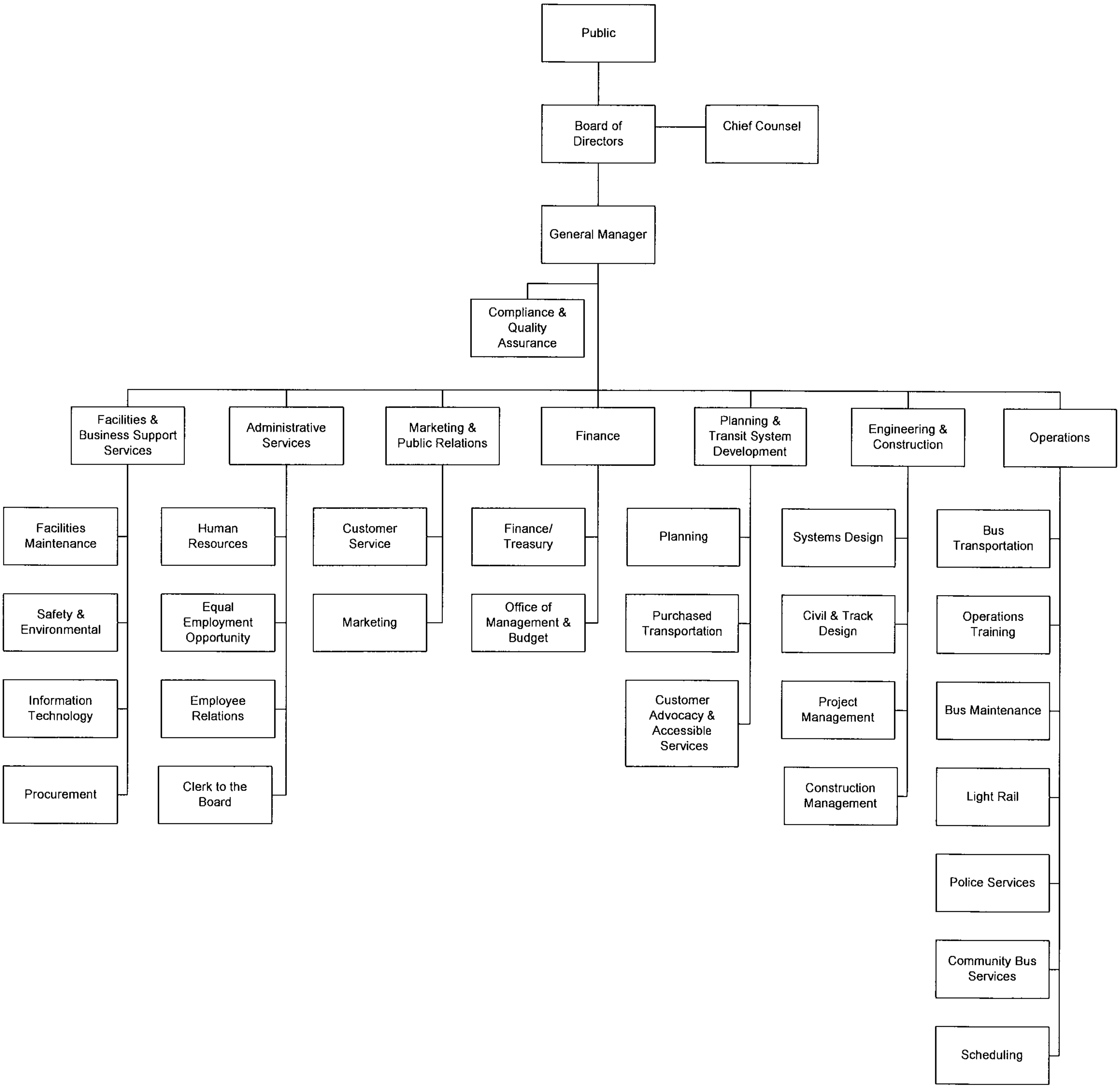
Chief Counsel

Bruce A. Behrens

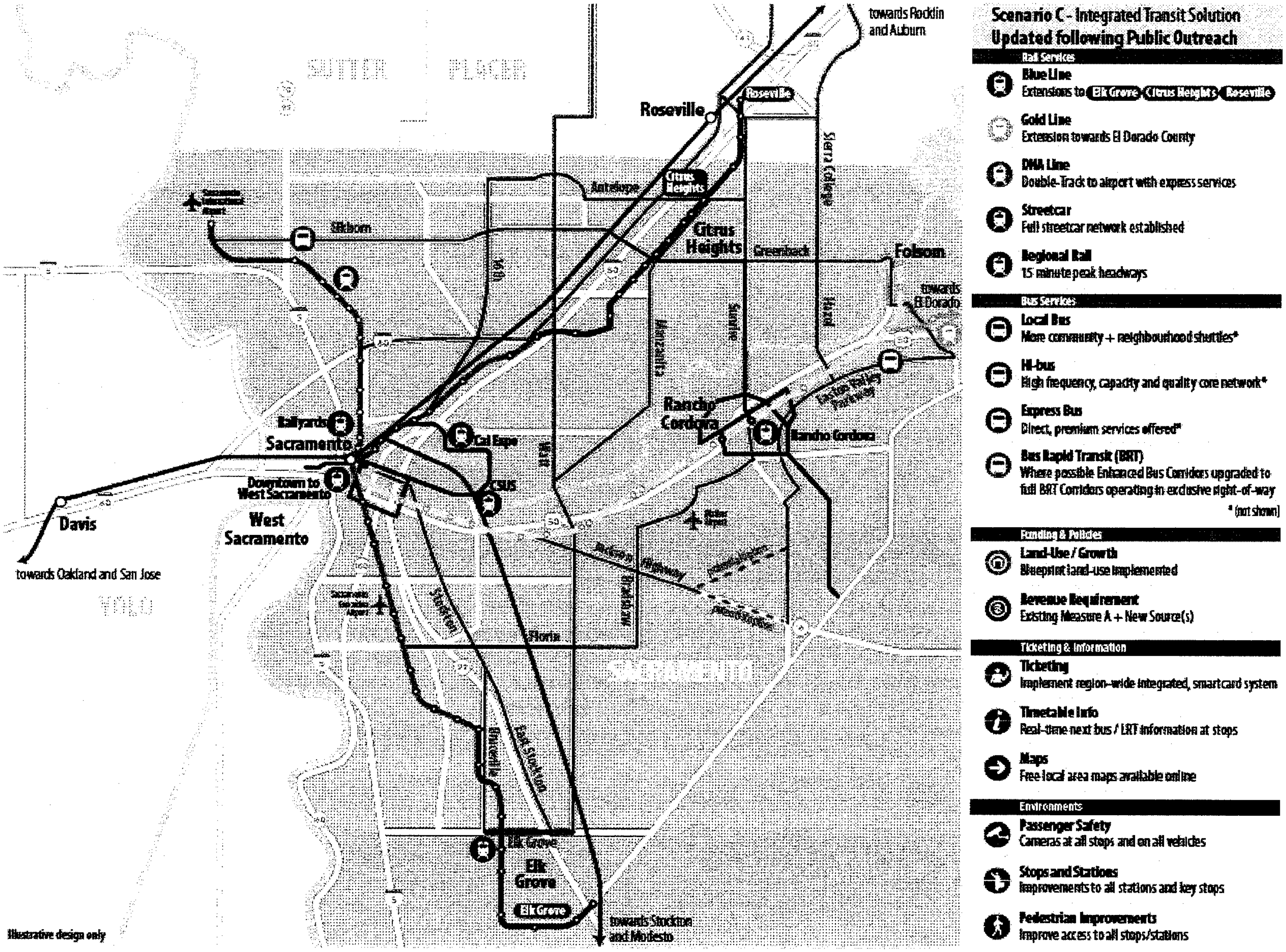
Executive Management Team

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

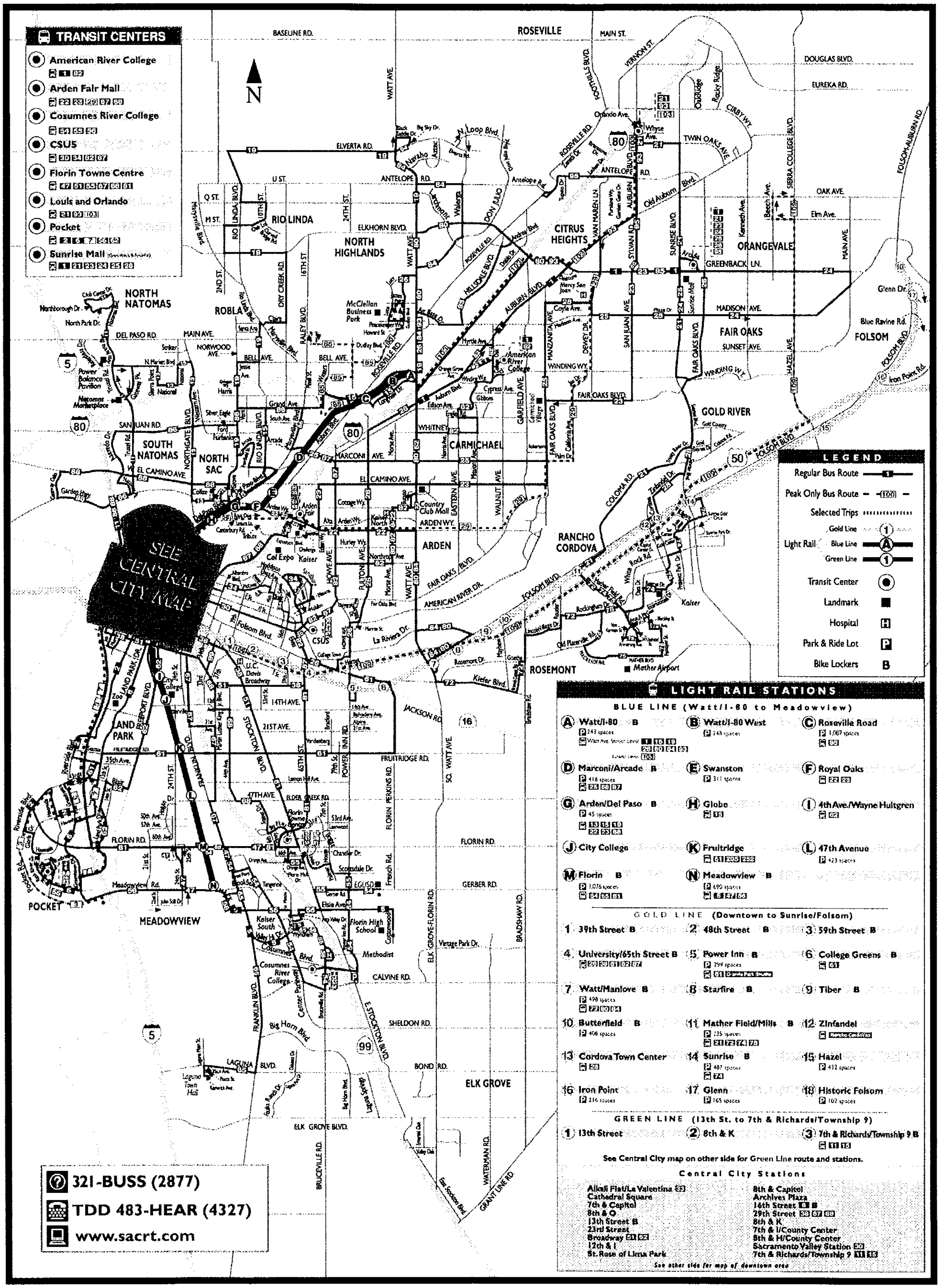
SACRAMENTO REGIONAL TRANSIT DISTRICT
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2013



2035 TRANSIT MASTER PLAN EXPANSION MAP



SACRAMENTO REGIONAL TRANSIT SERVICE AREA MAP



Gilbert Associates, Inc.
CPAs and Advisors
Relax. We got this.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sacramento Regional Transit District
Sacramento, California

Board of Directors
Sacramento Area Council of Governments
Sacramento, California

Report on the Financial Statements

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 from material misstatement.

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

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

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, 2013 and 2012, 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.

Change in Accounting Principles

As described in Note 1, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining fiduciary fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fiduciary funds 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fiduciary funds financial statements are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES,
INC Sacramento, California

November 1, 2013

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, 2013 and 2012. 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 and deferred inflows of resources at June 30, 2013 and 2012 by $806,462,782 and $791,658,180 (net position), respectively. Of this amount, $2,845,191 and $4,473,809, respectively, is restricted for capital projects, $2,277,700 is restricted for debt service, $799,650,471 and $787,710,835, respectively, is net investment in capital assets, and $1,689,420 and $(526,464), respectively, is unrestricted.

- The District's total net position increased for the year ended June 30, 2013 by 1.9 percent, or $14,804,602 compared to the year ended June 30, 2012. The District's total net position increased for the year ended June 30, 2012 by 2.1 percent, or $16,091,761, compared to the fiscal year ended June 30, 2011. These increases are primarily the result of capital contributions as the District expands its light rail system.

- The District's total liabilities and deferred inflows of resources increased by $114,463,697 for the fiscal year ended June 30, 2013 and decreased $7,843,586 during the fiscal year ended 2012. The net increase of $114,463,697 in fiscal year 2013 is due to both the District's issuance of Farebox Revenue Bonds, Series 2012, and advances from the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B). These funds will be used for District capital projects, primarily the South Line Phase 2 light rail extension. The net decrease of $7,843,586 in fiscal year 2012 is due primarily to scheduled principal debt payments on the District's Lease/Leaseback transactions and Certificates of Participation. This decrease is mitigated by other District borrowing activity including loans against Sacramento County developer fees and Environmental Council of Sacramento lawsuit proceeds used to complete the District's Green Line to the River District light rail extension.

- During the fiscal year ended June 30, 2013, fare revenue increased by $794,531 or 2.7 percent from the fiscal year ended June 30, 2012. This increase is due to a slight increase in ridership from September 2012 bus and light rail service restoration. Non-operating revenue increased by 4.7 percent due primarily to the increase in Federal preventive maintenance grant funds as well as the internal assignment of allocated State Transit Funds to operations rather than capital improvement. 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, indicators of an improving economy.

- Total operating costs increased by 9.2 percent for the fiscal year ended June 30, 2013 and increased by 3.3 percent for the fiscal years ended June 30, 2012. The increase in fiscal year ending June 30, 2013, can be attributed to an increase in labor costs due to the restoration of additional service, the end of pay freezes for several employee groups, pension and medical cost increases, security services due to contractual rate increases and additional night service, and paratransit services. 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.

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 position present information on all the District's assets, liabilities and deferred inflows, with the difference between these items being reported as net position. Over time, increases or decreases in net position 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 position presents information showing how the District's net position changed during the fiscal years ended June 30, 2013 and 2012. All changes in net position 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 position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities and deferred inflows by $806,462,782 and $791,658,180 at June 30, 2013 and 2012, respectively.

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

A portion of the District's net position 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 Position

	June 30, 2013	Restated June 30, 2012	Restated June 30, 2011
Capital Assets	$ 822,604,999	$ 800,808,218	$ 785,316,478
Current and Other Assets	243,230,731	135,759,213	143,002,778
Total Assets	1,065,835,730	936,567,431	928,319,256
Current Liabilities	88,812,432	57,409,588	76,571,602
Non-Current Liabilities	161,535,615	78,054,999	66,316,808
Total Liabilities	250,348,047	135,464,587	142,888,410
Deferred Inflows	9,024,901	9,444,664	9,864,427
Net Position			
Net Investment in Capital Assets	799,650,471	787,710,835	778,013,726
Restricted for:			
Capital Projects	2,845,191	4,473,809	1,839,934
Debt Service	2,277,700	-	-
Unrestricted	1,689,420	(526,464)	(4,287,241)
Total Net Position	$ 806,462,782	$ 791,658,180	$ 775,566,419

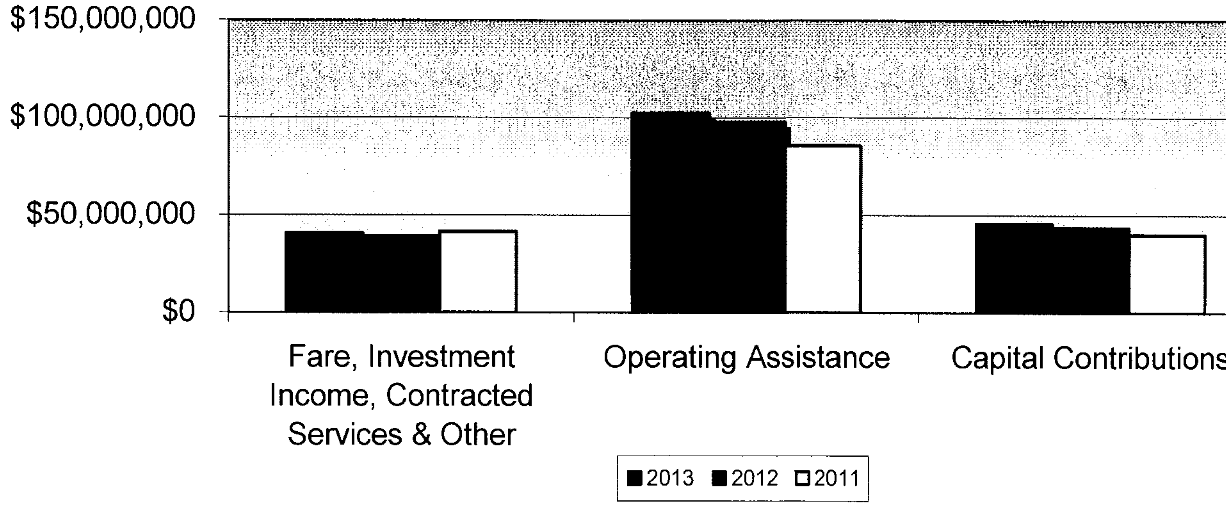
Sacramento Regional Transit District Changes in Net Position

	June 30, 2013	June 30, 2012	Percent Change
Operating Revenues:			
Fares	$ 29,758,679	$ 28,964,148	2.7%
Non-Operating Revenues:			
Operating Assistance	102,282,197	97,801,623	4.6%
Investment Income	1,754,549	2,456,152	(28.6%)
Other Revenue	9,020,558	7,729,442	16.7%
Total Operating and Non-Operating Revenue:	142,815,983	136,951,365	4.3%
Operating and Non-Operating Expenses:			
Labor & Fringe Benefits	88,064,241	82,208,644	7.1%
Professional & Other Services	24,995,853	21,416,503	16.7%
Spare Parts & Supplies	10,516,827	9,784,687	7.5%
Utilities	5,638,681	5,587,066	0.9%
Casualty & Liability Costs	7,909,686	6,353,496	24.5%
Depreciation & Amortization	31,380,082	31,392,344	(0.0%)
Other	1,396,466	1,491,769	(6.4%)
Indirect Costs Allocated to Capital Programs	(762,778)	(823,572)	(7.4%)
Interest Expense	2,522,462	2,722,015	(7.3%)
Pass through to Subrecipients	1,672,427	4,216,435	(60.3%)
Total Operating and Non-Operating Expenses:	173,333,947	164,349,387	5.5%
Loss Before Capital Contributions	(30,517,964)	(27,398,022)	11.4%
Capital Contributions:			
State and Local	35,836,495	33,473,886	7.1%
Federal	9,331,167	10,015,897	(6.8%)
Increase in Net Position Before Special Item	14,649,698	16,091,761	(9.0%)
Special Item: Gain on Extinguishment of Debt	154,904	-	N/A
Increase in Net Position After Special Item	14,804,602	16,091,761	(8.0%)
Net Position, July 1 as restated	791,658,180	775,566,419	2.1%
Net Position, June 30 as restated	$ 806,462,782	$ 791,658,180	1.9%

Sacramento Regional Transit District Changes in Net Position

	June 30, 2012	June 30, 2011	Percent Change
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	7,729,442	8,308,185	(7.0%)
Total Operating and Non-Operating Revenue	136,951,365	126,871,749	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	4,216,435	4,042,535	4.3%
Total Operating and Non-Operating Expenses:	164,349,387	161,238,534	1.9%
Loss Before Capital Contributions	(27,398,022)	(34,366,785)	(20.3%)
Capital Contributions:			
State and Local	33,473,886	36,481,569	(8.2%)
Federal	10,015,897	3,538,233	183.1%
Increase in Net Position	16,091,761	5,653,017	184.7%
Net Position, July 1 as restated	775,566,419	769,913,402	0.7%
Net Position, June 30 as restated	$ 791,658,180	$ 775,566,419	2.1%

REVENUES BY SOURCE



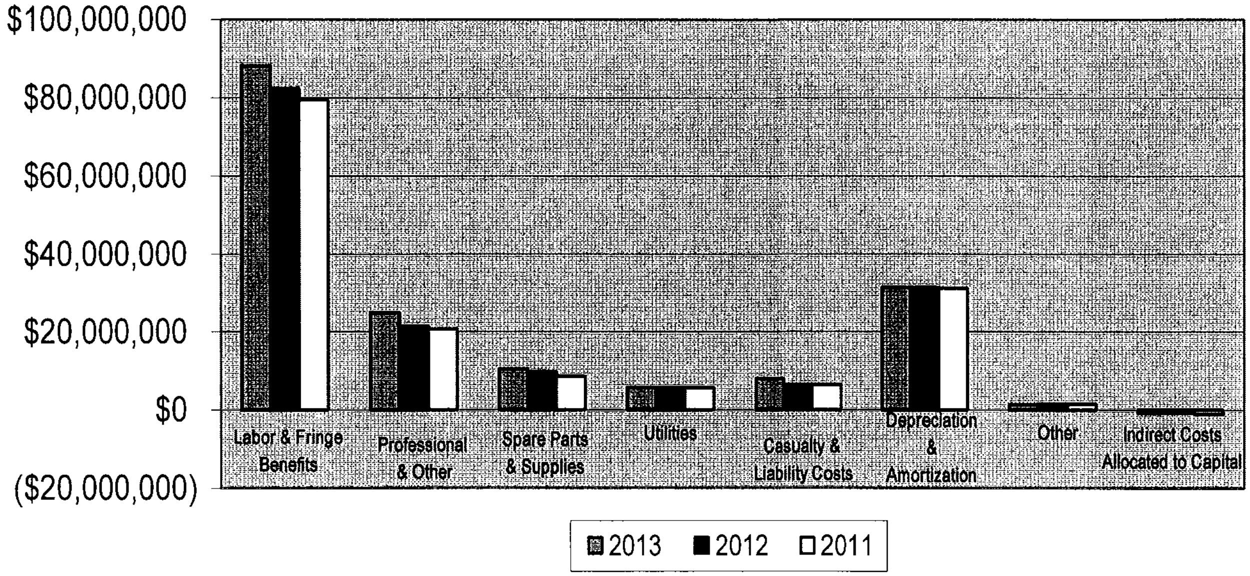
Revenue

Fares, investment income, contracted services, and other revenue increased by a combined $1,384,044 or 3.5 percent for the fiscal year ended June 30, 2013 and decreased by a combined $2,238,937, or 5.4 percent for the fiscal year ended June 30, 2012. The revenue increase for fiscal year ended June 30, 2013, is primarily due to the restoration of Compressed Natural Gas (CNG) Federal Excise Tax Refunds and an increase in contracted services. 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.

Operating assistance increased by $4,480,574 or 4.6 percent and $12,318,553 or 14.4 percent, for the fiscal years ended June 30, 2013 and June 30, 2012, respectively. The increase in fiscal year 2013 is the result of Federal preventive maintenance grant funds as well as the internal assignment of allocated State Transit Funds to operations rather than capital improvement. 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 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 3.9 percent and 8.7 percent during the fiscal year ended June 30, 2013 and 2012, respectively. The increase for the year ended June 30, 2013 is primarily the result of the Southline Phase 2 light rail extension. 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.

OPERATING EXPENSES



Expenses

Total operating costs increased by 9.2 percent for the fiscal year ended June 30, 2013 and increased by 3.3 percent for the fiscal years ended June 30, 2012. The increase in fiscal year ending June 30, 2013, can be attributed to an increase in labor costs due to the restoration of additional service, the end of pay freezes for several employee groups, pension and medical cost increases, security services due to contractual rate increases and additional night service, and paratransit services. 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.

Analysis of the District's Financial Position

The District's net position provides information on near term inflows, outflows, and balances of spendable resources. The District is reporting unrestricted net position as of June 30, 2013 of $1,689,420, an increase of $2,215,884, or 420.9 percent, in comparison with June 30, 2012, which reported unrestricted net position of $(526,464), an increase of $3,760,777, or 87.7 percent from June 30, 2011. The increase in unrestricted net position each year was due to revenues exceeding expenses.

Capital Asset and Debt Activity

As of June 30, 2013, the District's investment in various capital assets, such as bus and light rail vehicles, facilities, land, buildings and equipment increased to $822,604,999 from $800,808,218 representing a 2.7 percent increase. The most significant addition to the District's capital costs is related to work in process on the Southline Phase 2 light rail extension project.

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. Additional information on the capital assets can be found in Footnote 4 to the financial statements.

The District issued $86,865,000 of Farebox Revenue Bonds, Series 2012, during the year to primarily fund construction on the Southline Phase 2 light rail extension. The District's remaining Certificates of Participation debt of $5,809,505 were refunded with the new debt issue. The Certificates of Participation notes were 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 $33,351,437 and $35,482,912 as of June 30, 2013 and 2012, respectively, resulting from its participation in three Lease/Leaseback transactions. Additional information on debt activity can be found in Footnote 6 and 7 to the financial statements.

Current Economic Factors and Conditions

The District has plans for future expansion and improvement of light rail and bus services. As of June 30, 2013, the District has construction contracts and property acquisition commitments of approximately $47,330,715.

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 POSITION – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
JUNE 30, 2013 and 2012

	2013	Restated 2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 10,807,406	$ 256,469
Restricted Cash and Cash Equivalents	122,708,846	1,164,034
Investments	739,629	891,359
Restricted Investments	-	25,210,604
Deposits for Lease/Leaseback Payable	-	3,857,272
Receivables:		
State and Local Government	18,164,460	19,231,348
Federal Government	31,528,621	26,749,338
Other	5,384,173	5,619,438
Spare Parts and Supplies Inventory	16,697,336	16,224,417
Other Current Assets	59,601	56,198
Total Current Assets	206,090,072	99,260,477
Non-Current Assets:		
Restricted Cash & Cash Equivalents	-	1,191,596
Investments	3,639,222	3,481,500
Deposits for Lease/Leaseback Payable	33,351,437	31,625,640
Prepaid Lease	150,000	200,000
Non-Depreciated Capital Assets	191,079,284	189,911,831
Depreciated Capital Assets, Net	631,525,715	610,896,387
Total Non-Current Assets	859,745,658	837,306,954
Total Assets	$ 1,065,835,730	$ 936,567,431

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

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF NET POSITION – BUSINESS TYPE ACTIVITIES - continued
ENTERPRISE FUND
JUNE 30, 2013 and 2012

	2013	Restated 2012
LIABILITIES		
Current Liabilities:		
Line of Credit	$ 21,800,000	$ 10,000,000
Accounts Payable	20,735,872	18,234,487
Other Accrued Liabilities	3,789,278	3,182,289
Compensated Absences	6,421,484	6,289,061
Interest Payable	1,695,325	188,452
Unearned Revenue	803,355	379,632
Advances from Other Governments	14,201,310	3,227,053
Claims Payable	6,787,036	9,197,946
Loan Payable	8,642,509	-
Lease/Leaseback Payable	-	3,857,272
Certificates of Participation	-	1,910,984
Revenue Bonds	2,993,851	-
Retention Payable	942,412	942,412
Total Current Liabilities	88,812,432	57,409,588
Long-Term Liabilities:		
Certificates of Participation	-	4,031,638
Compensated Absences	2,748,482	2,638,969
Advances from Other Governments	21,776,793	22,433,701
Claims Payable	11,652,270	9,095,012
Revenue Bonds	92,006,633	-
Loan Payable	-	8,230,039
Lease/Leaseback Payable	33,351,437	31,625,640
Total Long-Term Liabilities	161,535,615	78,054,999
DEFERRED INFLOW OF RESOURCES		
Deferred Gain on Lease/Leaseback	9,024,901	9,444,664
NET POSITION		
Net Investment in Capital Assets	799,650,471	787,710,835
Restricted for:		
Capital Projects	2,845,191	4,473,809
Debt Service	2,277,700	-
Unrestricted	1,689,420	(526,464)
Total Net Position	$ 806,462,782	$ 791,658,180

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

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUSINESS TYPE ACTIVITIES ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Fares	$ 29,758,679	$ 28,964,148
OPERATING EXPENSES		
Labor and Fringe Benefits	88,064,241	82,208,644
Professional and Other Services	24,995,853	21,416,503
Spare Parts and Supplies	10,516,827	9,784,687
Utilities	5,638,681	5,587,066
Casualty and Liability Costs	7,909,686	6,353,496
Depreciation and Amortization	31,380,082	31,392,344
Indirect Costs Allocated to Capital Programs	(762,778)	(823,572)
Other	1,396,466	1,491,769
Total Operating Expenses	169,139,058	157,410,937
Operating Loss	(139,380,379)	(128,446,789)
NON-OPERATING REVENUES (EXPENSES)		
Operating Assistance:		
State and Local	71,275,441	69,131,857
Federal	31,006,756	28,669,766
Investment Income	1,754,549	2,456,152
Interest Expense	(2,522,462)	(2,722,015)
Pass-Through to Subrecipients	(1,672,427)	(4,216,435)
Contract Services	5,606,614	5,244,807
Other	3,413,944	2,484,635
Total Non-Operating Revenues	108,862,415	101,048,767
Loss Before Capital Contributions	(30,517,964)	(27,398,022)
Capital Contributions:		
State and Local	35,836,495	33,473,886
Federal	9,331,167	10,015,897
Increase in Net Position Before Special Item	14,649,698	16,091,761
Special Item: Gain on Extinguishment of Debt (Note 7)	154,904	-
Increase in Net Position After Special Item	14,804,602	16,091,761
Net Position, July 1 as restated	791,658,180	775,566,419
Net Position, June 30 as restated	$ 806,462,782	$ 791,658,180

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, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 30,256,614	$ 29,064,537
Cash Received from Contract Sources	5,606,614	5,244,807
Cash Paid to Suppliers	(48,236,102)	(39,723,291)
Cash Paid to Employees	(86,452,538)	(80,817,932)
Cash Received from Other Sources	3,413,943	2,478,333
Net Cash (Used in) Operating Activities	(95,411,469)	(83,753,546)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Local Receipts	74,231,474	62,796,547
Federal Receipts	26,556,267	27,280,436
Pass-Through to Subrecipients	(1,672,427)	(4,216,435)
Advances on the Line of Credit	42,400,000	56,200,000
Payments on the Line of Credit	(30,600,000)	(53,800,000)
Net Cash Provided by Noncapital Financing Activities	110,915,314	88,260,548
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(51,696,179)	(47,251,883)
Principal Payments on Certificates of Participation	(5,740,000)	(1,770,000)
Issuance Costs Incurred on Revenue Bonds	(559,784)	-
Interest Paid	(857,156)	(369,393)
Proceeds from Loan Payable	412,470	8,230,039
Proceeds from Revenue Bonds	95,179,468	-
Proceeds from Sale of Capital Assets	-	6,302
State and Local Capital Grants	44,264,699	26,853,802
Federal Capital Grants	9,002,373	10,785,059
Net Cash Provided by (Used in) Capital and Related Financing Activities	90,005,891	(3,516,074)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	26,876,190	18,324,386
Purchases of Investments	(1,962,508)	(21,891,419)
Investment Income	480,735	422,774
Net Cash Provided by (Used in) Investing Activities	25,394,417	(3,144,259)
Net Increase (Decrease) in Cash and Cash Equivalents	130,904,153	(2,153,331)
Cash and Cash Equivalents, July 1	2,612,099	4,765,430
Cash and Cash Equivalents, June 30	$ 133,516,252	$ 2,612,099
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and Cash Equivalents	$ 10,807,406	$ 256,469
Restricted Cash and Cash Equivalents, Current	122,708,846	1,164,034
Restricted Cash and Cash Equivalents, Non-Current	-	1,191,596
Total Cash and Cash Equivalents	$ 133,516,252	$ 2,612,099

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, 2013 and 2012

	2013	2012
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating Loss	$ (139,380,379)	$ (128,446,789)
Adjustments to Reconcile Net Loss from Operations to Net Cash Used in Operating Activities:		
Depreciation	31,240,061	31,760,142
Amortization	140,021	(367,798)
Contract Services Nonoperating Income	5,606,614	5,244,807
Miscellaneous Nonoperating Income	3,413,943	2,478,333
Effect of Changes in:		
Other Receivables	74,212	92,827
Spare Parts and Supplies Inventory	(472,919)	745,109
Other Current Assets	(3,403)	(6,198)
Prepaid Lease	50,000	50,000
Accounts, Other Accrued and Retention Payable	3,108,374	5,093,200
Compensated Absences and Other	241,936	347,568
Unearned Revenue	423,723	7,562
Reserve for Claims	146,348	(752,309)
Net Cash (Used in) Operating Activities	$ (95,411,469)	$ (83,753,546)

	2013	2012
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Interest Income from Investments Held to Pay Lease/Leaseback	$ 1,725,797	$ 2,342,748
Interest Expense on Capital Lease/Leaseback	(1,725,797)	(2,342,748)
Reduction of Deposits for Lease/Leaseback Payment by Payment Undertaker	3,857,272	24,271,104
Payment of Lease/Leaseback Payable by Payment Undertaker	(3,857,272)	(24,271,104)
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 POSITION
PENSION TRUST FUNDS
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 9,340,395	$ 6,110,164
Interest, Dividends, and Other Receivables	16,540,244	1,323,730
Total Current Assets	25,880,639	7,433,894
Long-Term Investments:		
Equity Securities	132,915,236	112,619,361
Fixed Income Securities	82,065,476	74,983,002
Total Long-Term Investments	214,980,712	187,602,363
Total Assets	240,861,351	195,036,257
LIABILITIES		
Liabilities:		
Securities Purchased Payable	28,158,801	4,532,559
Accounts Payable	705,376	1,334,008
Total Liabilities	28,864,177	5,866,567
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 211,997,174	$ 189,169,690

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

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
ADDITIONS		
Contributions:		
Employer	$ 14,493,114	$ 12,464,458
Member	14,416	-
Total Contributions	14,507,530	12,464,458
Investment Income:		
Net Increase in Fair Value of Investments	23,688,270	250,516
Interest, Dividends, and Other Income	3,409,525	4,615,417
Investment Expenses	(978,516)	(1,152,811)
Net Investment Income	26,119,279	3,713,122
Total Additions	40,626,809	16,177,580
DEDUCTIONS		
Benefits Paid to Participants	17,517,586	16,854,683
Administrative Expenses	281,739	344,443
Total Deductions	17,799,325	17,199,126
Increase (Decrease) in Net Position	22,827,484	(1,021,546)
Net Position, Held in Trust for Pension Benefits - July 1	189,169,690	190,191,236
Net Position, Held in Trust for Pension Benefits - June 30	$ 211,997,174	$ 189,169,690

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

1. SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

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

As required by Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity and it's amendment GASB No. 61, 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position, 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 position for the enterprise fund represents the net position available for future operations.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Type

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund and the pension trust funds are accounted for on a flow of economic resources measurement focus. This measurement focus emphasizes the determination of increased/decreased net position. 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.

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.

INVESTMENTS

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

RESTRICTED ASSETS

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

Interest is capitalized on construction in progress. Accordingly, interest capitalized is the total interest cost from the date of the borrowing until the specified 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, buildings, 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.

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. Refer to discussion of GASB 65 on page 24 for further discussion.

NEW PRONOUNCEMENTS

For the fiscal years ended June 30, 2013, and 2012, the District implemented the following new GASB pronouncements:

For the year ended June 30, 2013, the District implemented GASB Statement 62 (GASB 62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of GASB 62 is to incorporate certain accounting and financial reporting guidance issued by the Financial Accounting Standards Board (FASB) or American Institute of Certified Public Accountants (AICPA) on or before November 30, 1989, into GASB's authoritative literature.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Net assets are now reported as net position. Implementation of this statement has resulted in a change to the format of the basic financial statements and has been applied retroactively

GASB Statement No. 65 (GASB 65) "Items Previously Reported as Assets and Liabilities." The objective of GASB 65 is to reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liablilites as outlows of resources (expenses) or inflows of resources (revenues).

For the year ended June 30, 2013, the beginning net position decreased by $138,573 as a result of the District's implementation of GASB 65. The District's 2003 Series-C Certificate of Participation issuance costs were previously deferred and amortized.

The following pronouncements will be applicable in future years:

In June of 2012, the GASB issued GASB Statement 68 (GASB 68), "Accounting and Financial Reporting for Pensions" – an amendment of GASB Statement No. 27, with required implementation for the District during the year ended June 30, 2015. GASB 68 is an amendment of GASB Statement 27, "Accounting for Pensions by State and Local Governmental Employers." The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 is required to be implemented retroactively and will require a restatement of beginning net position.

2. CASH AND INVESTMENTS

As of June 30, 2013, and 2012, the cash and investments among all funds consisted of the following:

	2013	2012
Cash on hand	$ 122,081	$ 129,011
Cash and cash equivalents	142,734,566	8,593,252
Investments	219,359,563	217,185,826
Total Cash and Investments	$ 362,216,210	$ 225,908,089

The total cash and investments as of June 30, 2013, are reported in the accompanying basic financial statements as follows:

	Enterprise Fund	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	$ 10,807,406	$ -	$ 10,807,406
Investments	4,378,851	-	4,378,851
Total unrestricted	15,186,257	-	15,186,257
Restricted:			
Cash and cash equivalents	122,708,846	9,340,395	132,049,241
Investments	-	214,980,712	214,980,712
Total restricted	122,708,846	224,321,107	347,029,953
Total cash and investments	$ 137,895,103	$ 224,321,107	$ 362,216,210

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

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

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

2. CASH AND INVESTMENTS (Continued)

A Retirement Board adopted policy, the "Statement of Investment Objectives and Policy Guidelines for the Sacramento Regional Transit District Pension Plans," governs the Pension Trust Funds' investments. This Policy focuses on the continued feasibility of achieving, and the appropriateness of, the Asset Allocation Policy, the Investment Objectives, the Investment Policies and Guidelines, and the Investment Restrictions.

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

Authorized Investment Type	Maximum Maturity (1)	Minimum Rating	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Municipal Debt	None	Baa	None	None
U.S. Treasury Obligations	None	N/A	None	None
U.S. Agency Securities	None	N/A	None	None
Bankers' Acceptances	None	N/A	None	None
Commercial Paper	None	A2	None	None
Certificates of Deposit	None	N/A	None	None
Repurchase Agreements with U.S. 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.

2. CASH AND INVESTMENTS (Continued)

The following table provides information about the interest rate risks associated with investments as of June 30, 2013.

	Maturities in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Fair Value
Enterprise Fund					
Corporate Bonds	$ 286,949	$ 811,565	$ -	$ -	$ 1,098,514
Asset-Backed Securities	-	204,173	-	-	204,173
Local Agency Investment Fund	119,445,404	-	-	-	119,445,404
Commercial Paper	99,869	-	-	-	99,869
U.S. Government Agency Obligations	352,812	1,738,651	-	-	2,091,463
U.S. Government Issued Obligations	-	884,832	-	-	884,832
Total Enterprise Fund	$ 120,185,034	$ 3,639,221	$ -	$ -	$ 123,824,255
Fiduciary Funds					
ATU/IBEW and Salaried:					
Collateralized Mortgage Obligations	$ -	$ 447,744	$ 3,282,652	$ 11,336,807	$ 15,067,203
Corporate Bonds	1,913,214	5,151,928	4,924,728	3,682,513	15,672,383
Municipal Bonds	-	147,936	511,095	860,904	1,519,935
U.S. Government Agency Obligations	-	5,169	2,670,433	18,228,014	20,903,616
U.S. Government Issued Obligations	2,034,567	15,002,039	1,020,850	2,093,446	20,150,902
Asset-Backed Securities	-	29,625	750,131	7,971,681	8,751,437
Total Fiduciary Funds	$ 3,947,781	$ 20,784,441	$ 13,159,889	$ 44,173,365	$ 82,065,476

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, 2012.

	Maturities in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Fair Value
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	$ 26,104,791	$ 3,481,500	$ -	$ -	$ 29,586,291
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 Funds	$ 4,719,722	$ 8,913,730	$ 14,633,457	$ 46,716,093	$ 74,983,002

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). These securities are highly sensitive to interest rate fluctuations because they are subject to early payment. In a period of declining interest rate, the resulting reduction in expected total cash flows affects the fair value of these securities.

COLLATERALIZED MORTGAGE OBLIGATIONS

Collateralized mortgage obligations (CMO's) are bonds that represent claims to specific cash flow from large pools of home mortgages. The streams of principal and interest payments on the mortgages are distributed to the different classes of CMO interests.

CMO's are often highly sensitive to changes in interest rates and any resulting change in the rate at which homeowners sell their properties, refinance, or otherwise pre-pay their loans. Investors in these securities may not only be subjected to such prepayment risk, but also exposed to significant market and liquidity risks.

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, 2013, the District held callable bonds with a fair value of $44,789. The ATU/IBEW and Salaried Pension Trust Funds held callable bonds with a fair value of $8,687,269.

As of June 30, 2012, the District held callable bonds with a fair value of $330,486. The ATU/IBEW and Salaried Pension Trust Funds held callable bonds with a fair value of $7,075,035.

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, 2013 and 2012, the District did not hold any of these securities. As of June 30, 2013, the ATU/IBEW and Salaried Pension Trust Funds held range notes with a fair value of $461,132. As of June 30, 2012, the ATU/IBEW and Salaried Pension Trust Funds held range notes with a fair value of $410,863.

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.

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, 2013 and 2012, 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, 2013:

	Enterprise Fund	
Moody's Ratings	Fair Value	Percentage of Portfolio
Not applicable	$ 6,804,733	4.93%
Not rated	119,564,833	86.71%
Aaa/Aaa-mf/P1	10,427,024	7.56%
Aa1	77,244	0.06%
Aa2	127,692	0.09%
Aa3	50,175	0.04%
A1	576,151	0.42%
A2	267,251	0.19%
	$ 137,895,103	100.00%

	Fiduciary Funds	
	ATU/IBEW and Salaried	
Moody's Ratings	Fair Value	Percentage of Portfolio
Not applicable	$ 142,255,631	63.42%
Not rated	32,782,618	14.61%
Aaa	26,066,985	11.62%
Aa1	161,421	0.07%
Aa2	2,330,204	1.04%
Aa3	594,388	0.26%
A1	1,980,502	0.88%
A2	1,153,566	0.51%
A3	3,561,172	1.59%
Baa1	2,931,397	1.31%
Baa2	6,144,684	2.74%
Baa3	924,069	0.41%
Ba1	403,728	0.18%
Ba2	149,447	0.07%
Ba3	497,729	0.22%
B1	250,690	0.11%
B2	403,456	0.18%
B3	392,918	0.18%
Caa1	498,613	0.22%
Caa3	758,752	0.34%
Ca	79,137	0.04%
Total	$ 224,321,107	100.00%

2. CASH AND INVESTMENTS (Continued)

The following tables provide information on the credit ratings and fair value associated with investments as of June 30, 2012:

Enterprise Fund

Moody's Ratings	Fair Value	Percentage of Portfolio
Not applicable	$ 1,476,676	4.58%
Not rated	383,727	1.19%
Aaa/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%
	$ 32,195,562	100.00%

Fiduciary Funds

Moody's Ratings	ATU/IBEW and Salaried Fair Value	Percentage of Portfolio
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	$ 193,712,527	100.00%

2. CASH AND INVESTMENTS (Continued)

CONCENTRATION OF CREDIT RISK

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

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. During fiscal years 2013 and 2012, the District had the following investments that comprised more than 5% of total investments in a single issuer aside from the Local Agency Investment Fund (LAIF):

	2013	2012
Federal Home Loan Mortgage Corporation	$ 567,216	$ -
Federal National Mortgage Association	552,389	6,575,570
Federal Home Loan Bank	472,107	6,609,649
Federal Farm Credit Bank	439,534	-
	$ 2,031,246	$ 13,185,219

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, 2013 and 2012, the Plans held more than 5% of the Plans' investments in the following fixed-income securities investment:

	2013	2012
Federal National Mortgage Association	$ 20,519,153	$ 10,058,322

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, 2013 and 2012, $6,927,776 and $316,469 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, 2013 and 2012, 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, 2013 and 2012 was $119,445,404 and $2,828, respectively. The total fair value amount invested by all public agencies in LAIF at June 30, 2013 and 2012 was $21,212,245,833 and $21,887,750,115, respectively. The LAIF is part of the Pooled Money Investment Account (PMIA) whose balances as of June 30, 2013 and June 30, 2012 were $58,803,312,428 and $60,502,186,417, respectively. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities at June 30, 2013 and 2012, totaling $753,400,000 and $1,297,405,000, approximately 1.28% and 2.14% of the total portfolio, and structured notes totaling $400,000,000 and $800,000,000, approximately 0.68% and 1.32% of the total portfolio, respectively.

2. CASH AND INVESTMENTS (Continued)

FOREIGN CURRENCY RISK

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

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

The following table provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars. As of June 30, 2013, and 2012, 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, 2013, the Pension Trust Funds had no investments held in foreign currency that were being used for hedging purposes.

At June 30, 2012, the U.S. dollar balances organized by investment type and currency denominations are as follows:

Fiduciary Funds:

	Foreign Currency	ATU/IBEW and Salaried
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:		$ 99,346

RESTRICTED CASH AND INVESTMENTS

Enterprise Fund

At June 30, 2013 and 2012, cash and investments include restricted amounts of the District's Enterprise Fund of $122,708,846 and $27,556,234, respectively. Amounts represent monies restricted for retirement of debt, developer fee projects, and grantor-approved projects.

Fiduciary Funds

At June 30, 2013 and 2012, cash and investments include restricted amounts of the Pension Trust Funds of $224,321,107 and $193,712,527, 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:

	2013	2012
Prepaid Lease, Balance	$ 200,000	$ 250,000
Less: Current Portion	(50,000)	(50,000)
Prepaid Lease, Non-current	$ 150,000	$ 200,000

4. CAPITAL ASSETS

Activity for the year ended June 30, 2013 was as follows:

Assets at Cost	Balance June 30, 2012	Additions	Transfers	Deletions	Balance June 30, 2013
Non-Depreciated Capital Assets					
Land*	$ 85,226,659	$ -	$ 77,103	$ -	$ 85,303,762
Capital Projects in Process	104,685,172	44,534,561	(43,444,211)	-	105,775,522
Total Non-Depreciated Capital Assets	189,911,831	44,534,561	(43,367,108)	-	191,079,284
Depreciated Capital Assets					
Buildings and Improvements*	696,193,179	2,850,380	38,246,613	-	737,290,172
Buses and Other Equipment	265,867,744	5,651,901	5,120,495	(3,663,996)	272,976,144
Total Depreciated Capital Assets	962,060,923	8,502,281	43,367,108	(3,663,996)	1,010,266,316
Accumulated Depreciation:					
Buildings and Improvements	(209,951,084)	(18,653,827)	-	-	(228,604,911)
Buses and Other Equipment	(141,213,452)	(12,586,234)	-	3,663,996	(150,135,690)
Total Accumulated Depreciation	(351,164,536)	(31,240,061)	-	3,663,996	(378,740,601)
Capital Assets Being Depreciated, Net	610,896,387	(22,737,780)	43,367,108	-	631,525,715
Capital Assets, Net	$ 800,808,218	$ 21,796,781	$ -	$ -	$ 822,604,999

*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.

4. CAPITAL ASSETS (Continued)

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 within the next two years. Therefore, the current lease in furtherance of conveyance is being reported as a fee simple ownership of the property.

Building – the value of buildings and improvements includes $29.8 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 structure at Consumnes River College. The District and Los Rios have agreed to make joint use of the parking structure and adjacent surface parking. The District's lease payments are the cost of 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. The lease meets the conditions of a capital lease. Los Rios commenced use of the parking garage in June 2013.

In fiscal year 2013, tax exempt Farebox Revenue Bonds were issued to finance specific transit related improvements. Accordingly, interest in the amount of $2,055,956 was capitalized.

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

**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 structure, the District is responsible for a significant portion of the construction costs, and in accordance with generally accepted accounting principles, the District is deemed to be the owner of the parking structure during construction.

5. LINE OF CREDIT

For the purpose of short-term borrowing needs, the District has an unsecured line of credit agreement with Wells Fargo Bank. As of June 30, 2013 and June 30, 2012, the District is in compliance with the short-term borrowing requirements stated under the California Government Code. 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.

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 June 30, 2013. On June 28, 2013 and October 1 2013, Wells Fargo Bank extended that forbearance to September 30, 2013 and December 28, 2013, respectively 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 U.S. Treasury Obligations 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. For further information on the Wells Fargo Bank forbearance see Note 6 Leases, Capital Leases, Financial Obligations Under Capital Lease/Leaseback.

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 2013 and 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 line of credit expired June 30, 2013. The District extended the line of credit from Wells Fargo Bank in the amount of $25,000,000 through December 28, 2013. Subsequently, the District entered into an agreement with US Bank National Association for a $29 Million line of credit with an effective date of November 1, 2013 and available until October 31, 2014. The line of credit with Wells Fargo Bank was closed out on November 1, 2013. The line of credit balance at June 30, 2013 and 2012, is summarized as follows:

	2013	2012
Beginning Balance	$ 10,000,000	$ 7,600,000
Draws	42,400,000	56,200,000
Payments	(30,600,000)	(53,800,000)
Ending Balance	$ 21,800,000	$ 10,000,000

6. LEASES

OPERATING LEASES

The District leases buildings, parking lots, and office facilities under non-cancelable operating leases. Total cost for such leases was $368,532 and $555,025, for the fiscal years ended June 30, 2013 and 2012, respectively. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
2014	$ 324,192
2015	314,640
2016	315,108
2017	180,224
Total	$ 1,134,164

CAPITAL LEASES

FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK

In December 2005, January 2006, and September 2007, the District entered into separate leveraged lease/leaseback transactions over a total of 50 light rail vehicles (the "Equipment"). Each transaction was structured as a head lease of the Equipment (the "Head Lease") to a special purpose trust created by an equity investor and a simultaneous sublease of the Equipment back to the District (the "Sublease"). Under the Sublease agreements, the District retains the right to use the light rail vehicles and is also responsible for their continued maintenance and insurance. Each Sublease Agreement provides the District with an option to purchase the Equipment at the end of the applicable Sublease term on specified dates between June 2030 and September 2035 for an aggregate purchase price of $97,932,090.

At the closing of the lease/leaseback transactions the light rail vehicles had a fair value of approximately $223,880,000 and a net book value of $94,822,528. The District received an aggregate of $223,880,000 from the equity investor in full prepayment of the Head Leases. The District deposited a portion of the prepaid Head Lease payments with debt payment undertakers whose repayment obligations were guaranteed by American International Group Inc. ("AIG"). The District also deposited a portion of the prepaid Head Lease payments with an equity payment undertaker whose obligations, which were collateralized with U.S. agency securities and guaranteed by AIG, matured at such times and in such amounts that correspond to the purchase option payment dates and amounts for the Equipment under each Sublease. Although these escrows do not represent a legal defeasance of the District's obligations under the Subleases, management believes that these transactions were structured in such a way that it was not probable that the District would need to access other monies to make Sublease payments.

6. LEASES (Continued)

In addition, the District purchased surety bonds from Ambac Assurance Corporation ("Ambac"), a bond insurance company, to guarantee certain termination payments that are in the nature of stipulated damages, by the District in the event the lease/leaseback transactions were terminated, in whole or in part, prior to each Sublease expiration payment date.

The lease/leaseback transactions resulted in a net cash gain to the District of $11,820,731, which was deferred and is being amortized over the lives of the Subleases. At June 30, 2013, and 2012, the District had a balance of $9,024,901 and $9,444,664, respectively, as deferred gain on the lease/leaseback transactions. In each of the fiscal years ending June 30, 2013, and 2012, the District amortized $419,763 of such deferred gain.

The District's lease/leaseback transactions have been recorded similar to capital leases in that the present value of the future lease payments has been recognized on the Statement of Net Position as a Lease/Leaseback payable.

The original terms of the lease/leaseback transactions required the District to replace (1) AIG as debt payment undertaker if its ratings were to fall below "A3" from Moody's Investor Services ("Moody's") or "A-" from Standard & Poor's Rating Group ("S&P"), (2) AIG as equity payment undertaker if its ratings were to fall below "A2" from Moody's or "A" from S&P and (3) Ambac as surety provider if its ratings were to fall below "Aa3" from Moody's or "AA-" from S&P, in each case within a specified period of time following demand by the equity investor.

In July 2011, following the rating downgrades of AIG and Ambac below the applicable thresholds in September and November 2008, respectively, the equity investor Fifth Third Bank, the District, AIG and Ambac agreed to a restructuring of the lease/leaseback transactions. 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 restructuring: (1) eliminated any minimum rating requirements applicable to Ambac, (2) reduced the minimum rating requirement applicable to AIG as debt payment undertaker guarantor to "Baa3" from Moody's and "BBB-" from S&P, (3) replaced AIG as equity payment undertaker and guarantor with U.S. Treasury Obligations that matured by such dates and in such amounts that correspond to the purchase option dates and amounts for the Equipment under each Sublease and (4) extended the time periods for any of the District's remaining replacement obligations to one year.

As of December 30, 2012, no payments under the debt payment undertaking agreements remained.

Under the terms of the July 2011 restructuring, the District was required to replace the U.S. Treasury Obligations if the rating fell below "Aaa" from Moody's or "AAA" from S&P. In August 2011, S&P downgraded the U.S. Treasury Obligation to "AA+". The equity investor has provided the District with forbearance letters in July 2012 and June 2013 under which it agreed not to trigger an event of default due to the downgrade of the U.S. Treasury Obligations for a period of 12 months from the date of such letters. On October 16, 2013, the equity investor, District and Ambac agreed to amend the minimum rating requirements for the U.S. Treasury Obligations to "Aa2" from Moody's and "AA" from S&P (the "October Amendment").

6. LEASES (Continued)

The aggregate early termination costs to the District for all three transactions as of June 30, 2013 was $36,271,613, after accounting for the market value of the U.S. Treasury Obligations of $45,551,559, which would be liquidated and the proceeds thereof applied to pay a portion of the early termination costs. As a result of the October Amendment, the District views the risk of early termination of the lease/leaseback transactions as remote. No assurances, however, can be given 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 Position. At June 30, 2013 and 2012, the balance of this deposit was $33,351,437 and $35,482,912, 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
2014	-
2015	-
2016	-
2017	-
2018	-
2019-2023	-
2024-2028	-
2029-2033	14,252,635
2034-2036	83,679,455
Total future minimum payments	97,932,090
Less: imputed interest	(64,580,653)
Present value of minimum lease payments	$ 33,351,437

7. LONG-TERM DEBT

FAREBOX REVENUE BONDS (Revenue Bonds), SERIES 2012

In November 2012, the District issued Revenue Bonds totaling $86,865,000 with interest rates ranging from 3% to 5%. The Revenue Bonds were issued to (i) finance a portion of the costs of an extension to the District's light rail system and related improvements and acquisition of certain buses and other vehicles and other capital projects, and to (ii) refund all of the outstanding Farebox Revenue Certificates of Participation (COP), 2003 Series-C. The Revenue Bonds are a special obligation of the District and are secured solely by a pledge of farebox revenues through 2042.

The Series 2012 Bonds maturing on and after March 1, 2021, shall be subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds. The Bonds maturing on March 1, 2036, bearing an interest rate of either 4% or 5%, will also be subject to redemption in part, by lot, from mandatory sinking account payments required by the Indenture on each March 1 on or after March 1, 2033, at the principal amount of the Series 2012 Bonds to be redeemed plus accrued interest, if any. The Series 2012 Bonds maturing on March 1, 2042, will also be subject to redemption in part, by lot, from mandatory sinking account payments required by the indenture on each March 1 on or after March 1, 2037, at the principal amount of the Series 2012 Bonds to be redeemed plus accrued interest, if any.

The total principal and interest remaining to be paid on the Revenue Bonds was $161,881,350 at June 30, 2013. Interest paid was $1,225,477 for the fiscal year ending June 30, 2013. Annual principal and interest payments on the Revenue Bonds are expected to require approximately 23% of total farebox revenues. Farebox revenues were $29,758,679 and $28,964,148 for the fiscal years ending June 30, 2013 and 2012, respectively.

As of June 30, 2013, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,:	Principal	Interest	Total
2014	$ 2,710,000	$ 4,123,100	$ 6,833,100
2015	2,795,000	4,041,800	6,836,800
2016	1,530,000	3,957,950	5,487,950
2017	1,595,000	3,896,750	5,491,750
2018	1,655,000	3,832,950	5,487,950
2019-2023	9,615,000	17,836,500	27,451,500
2024-2028	12,265,000	15,180,750	27,445,750
2029-2033	15,625,000	11,824,050	27,449,050
2034-2038	19,610,000	7,829,750	27,439,750
2039-2042	19,465,000	2,492,750	21,957,750
Total	$ 86,865,000	$ 75,016,350	$ 161,881,350

As of June 30, 2013, the unamortized premium associated with the Revenue Bonds was $8,135,484. The amortization of the premium for fiscal year ended June 30, 2013, was $178,984.

7. LONG-TERM DEBT (Continued)

CURRENT YEAR DEFEASANCE

During the year ended June 30, 2013, the District utilized proceeds of the 2012 Revenue Bonds for the purpose of current refunding the 2003 Series-C Certificates of Participation. Proceeds of the 2012 Revenue Bonds were deposited into an irrevocable trust to legally defease the COPs 30 days after issuance of the Revenue Bonds. This refunding resulted in a gain on extinguishment of debt of $154,904.

The net cash flow to continue normal payments on the 2003 COPs through 2015 was $4,680,016, at the time of refunding. The refunding debt service payments total $4,838,528, for a loss of $158,512.

However, an economic gain (difference between the present value of the old and new debt service payments) was generated by the current refunding of the 2003 COPs. The economic gain was determined via present value of savings from cash flow of ($139,827) plus the refunding cash on hand of $364,972, providing an economic gain of $225,145.

LOANS PAYABLE

Loans payable include $7,000,000 from Sacramento County developer fees and $1,642,509 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.

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, 2013, the principal balance of the developer fees and ECOS loans was $7,000,000 and $1,642,509, respectively. Accrued interest was $168,779 and $26,168, respectively. As of June 30, 2012, the principal balance of the developer fees and ECOS loans was $7,000,000 and $1,230,039, respectively. Accrued interest was $62,785 and $2,005, respectively.

7. LONG-TERM DEBT (Continued)

CHANGES IN LONG-TERM LIABILITES

Long-term liability activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
2012 Revenue Bonds	$ -	$ 86,865,000	$ -	$ 86,865,000	$ 2,710,000
Issuance Premium	-	8,314,468	(178,984)	8,135,484	283,851
Total 2012 Revenue Bonds	-	95,179,468	(178,984)	95,000,484	2,993,851
Certificates of Participation	5,740,000	-	(5,740,000)	-	-
Issuance Premium	202,622	-	(202,622)	-	-
Total COP	5,942,622	-	(5,942,622)	-	-
Compensated Absences	8,928,030	6,522,369	(6,280,433)	9,169,966	6,421,484
Loans Payable	8,230,039	412,470	-	8,642,509	8,642,509
Advances from Other Governments	25,660,754	18,315,584	(7,998,235)	35,978,103	14,201,310
Claims Payable	18,292,958	5,327,966	(5,181,618)	18,439,306	6,787,036
Lease/Leaseback Payable	35,482,912	1,725,797	(3,857,272)	33,351,437	-
Long-Term Liabilities	$ 102,537,315	$ 127,483,654	$ (29,439,164)	$ 200,581,805	$ 39,046,190

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	$ 7,510,000	$ -	$ (1,770,000)	$ 5,740,000	$ 1,835,000
Issuance Premium	278,606	-	(75,984)	202,622	75,984
Total COP	7,788,606	-	(1,845,984)	5,942,622	1,910,984
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	$ 117,547,758	$ 45,154,486	$ (60,164,929)	$ 102,537,315	$ 24,482,316

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:

	2013	2012
Operating assistance grants:		
FTA Section 5307	$ 20,398,959	$ 19,388,026
FTA Section 5337	8,872,128	-
FTA Section 5316	613,188	37,774
FTA Section 5304	84,855	-
FTA Section 5305	46,533	-
FTA Section 5309	758,480	8,960,006
Dept of Homeland Security	232,613	-
STP and CMAQ	-	283,960
Total Federal operating assistance grants	31,006,756	28,669,766
Capital grants:		
FTA Section 5309	6,017,750	6,216,173
FTA ARRA	2,814,815	808,590
FTA Section 5307	288,251	399,597
STP and CMAQ	164,891	2,591,537
FTA Section 5317	45,460	-
Total Federal capital grants	9,331,167	10,015,897
Total Federal operating and capital grants	$ 40,337,923	$ 38,685,663

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.

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:

	2013	2012
Operating assistance grants:		
Measure A Sales Tax Revenue	$ 32,368,073	$ 30,885,085
Local Transportation Funds	30,043,310	33,554,746
State Transit Assistance	8,864,058	4,692,026
Total state and local operating assistance grants	71,275,441	69,131,857
Capital grants:		
Measure A Sales Tax Revenue	3,948,821	12,451,692
State Transit Assistance	888,914	4,904,937
Public Transportation Account	4,668,046	4,426,536
Traffic Congestion Relief Program	1,120,248	85,246
Proposition IB	22,789,299	9,131,155
City of Sacramento	104,962	130,399
County of Sacramento	568,330	-
Homeland Security	-	45,788
Department of Transportation	54,405	309,669
Developer Fees	1,297,289	1,545,617
Sacramento Housing and Redevelopment	537	(30,518)
Sacramento Area Council of Governments	-	336,185
California Energy Commission	394,294	-
Other	1,350	137,180
Total state and local capital grants	35,836,495	33,473,886
Total state and local grants	$ 107,111,936	$ 102,605,743

ADVANCES FROM OTHER GOVERNMENTS

Advances at June 30, consisted of the following:

	2013	2012
Proposition IB	$ 32,716,928	$ 20,880,596
Developer Fees	3,062,608	4,004,941
Laguna Facilities District	-	543,277
Other	198,567	231,940
Total advances from other governments	$ 35,978,103	$ 25,660,754

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

9. FARE REVENUE RATIO

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

	2013	2012
Fare Revenues	$ 29,758,679	$ 28,964,148
Local Fund Supplementation (Measure A)	5,369,860	3,170,593
Total Revenues	$ 35,128,539	$ 32,134,741
Operating Expenses	$ 169,139,058	$ 157,410,937
Less Allowable Exclusions: Depreciation and Amortization	(31,380,082)	(31,392,344)
Net Operating Expenses	$ 137,758,976	$ 126,018,593
Fare Revenue Ratio	25.50%	25.50%

10. PENSION PLANS

DESCRIPTION OF PLANS

The District contributes to three single-employer defined benefit pension plans: The Sacramento Regional Transit District Retirement Plan for members of ATU, Local 256 (the ATU Plan), the Sacramento Regional Transit District Retirement Plan for members of 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. All expenses incurred in the administration of the plans are paid by the plans, with the exception of the yearly financial statement audit fees.

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.

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.

The Public Employees' Pension Reform Act (PEPRA) of 2013 created new pension rules for employees hired after January 1, 2013. 'PEPRA employees' were hired under both the ATU/IBEW Plan and the Salaried Plan and are required to contribute 50% of the normal cost of their plan. The benefits under PEPRA were reduced in an effort to reduce the pension liability of local agencies in the state of California.

As of October 4, 2013 Assembly Bill 1222 provided a temporary exemption to the January 1, 2013 PEPRA law for employees of Transit Agencies. Along with changes to employee retirement benefits, this exemption eliminated employee contributions through January 1, 2015. Therefore all contributions received will be refunded during November 2013.

10. PENSION PLANS (Continued)

FUNDING POLICY

The District's contribution rates for retirement benefits are determined using the entry age normal cost method. During the fiscal year ended June 30, 2013, the District made 100% of the actuarially determined contributions to the ATU/IBEW and Salaried Plans of $8,693,568 and $5,799,546, respectively, for both PEPRA and non-PEPRA employees. For the fiscal year ended June 30, 2012, the District made 100% of the actuarially determined contributions to the ATU/IBEW and Salaried Plans of $7,884,551 and $4,579,907, respectively.

Non-PEPRA Employees

For the fiscal year ended June 30, 2013 and 2012, the actuarially determined rate for the ATU/IBEW Plan was 24.27% and 22.63%, respectively, of covered payroll. For the fiscal year ended June 30, 2013 and 2012, the actuarially determined rate for the Salaried Plan was 27.71% and 23.19%, respectively, of covered payroll. No contributions are required by the ATU/IBEW and Salaried Plans' members pursuant to each respective bargaining agreement for employees hired before January 1, 2013; however, ATU/IBEW Plan members can buy-back service.

PEPRA Employees

As of January 1, 2013, all new employees are required to contribute 50% of the normal cost of the pension benefit. The employee contributions for the fiscal year ending June 30, 2013 were 5.75% or $13,346 and 4.75% or $1,070, for the ATU/IBEW Plan and the Salaried Plan, respectively. The employer portion of the actuarially determined rate for the ATU/IBEW Plan and Salaried Plan was 17.29% and 21.52%, respectively, of covered payroll for the fiscal year ended June 30, 2013.

ANNUAL PENSION COST

Non-PEPRA Employees

The annual required contributions for both the ATU/IBEW Plan and Salaried Plan were determined as part of the July 1, 2011, and July 1, 2010, actuarial valuations using the entry age actuarial cost method. The July 1, 2011, and July 1, 2010, actuarial valuation reports were used to determine the contribution rate for the fiscal years ended June 30, 2013, and June 30, 2012, respectively. The remaining amortization of the unfunded liability at June 30, 2012, is 20 years and 22 years at June 30, 2011.

10. PENSION PLANS (Continued)

The July 1, 2012, 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.

The actuarial assumptions included in the July 1, 2012 actuarial valuation were consistent with the assumptions used in the July 1, 2011 valuation; however, the July 1, 2010 actuarial valuation used an investment rate of return of 8.00%, had projected salary increases of 3.50% to 15.9%, and an inflation rate of 3.50%.

PEPRA Employees

The annual required contributions for both the ATU/IBEW Plan and Salaried Plan were determined as part of the December 4, 2012, actuarial valuation using the entry age normal cost method. The December 4, 2012 actuarial report was used to determine the contribution rate for the fiscal year ending June 30, 2013. The normal costs were computed using the member data from the actuarial valuations of the ATU/IBEW and Salaried non-PEPRA Plans as of June 30, 2012.

PEPRA and Non-PEPRA Employees

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:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
ATU/IBEW Employees' Plan:			
06/30/2011	$ 6,809,060	100.0%	-
06/30/2012	7,884,551	100.0%	-
06/30/2013	8,693,568	100.0%	-
Salaried Employees' Plan:			
06/30/2011	$ 3,717,655	100.0%	-
06/30/2012	4,579,907	100.0%	-
06/30/2013	5,799,546	100.0%	-
Total ATU/IBEW and Salaried Employees' Plans:			
06/30/2011	$ 10,526,715	100.0%	-
06/30/2012	12,464,458	100.0%	-
06/30/2013	14,493,114	100.0%	-

10. PENSION PLANS (Continued)

FUNDING STATUS AND FUNDING PROGRESS

The funded status of the plans as of July 1, 2012, is as follows:

Schedule of Funding Progress

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)
ATU/IBEW Employees' Plan:						
06/30/2012	$ 136,651,230	$ 199,249,752	$ 62,598,522	68.6%	$ 37,110,134	168.7%
Salaried Employees' Plan:						
06/30/2012	$ 53,365,642	$ 97,903,776	$ 44,538,134	54.5%	$ 19,626,841	226.9%

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

11. POST-EMPLOYMENT BENEFITS

DESCRIPTION OF THE PLANS

The District provides health care benefits under the provisions of the Personnel Rules and Procedures for active and retired members of AEA, AFSCME, 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 six hundred and two (602) and five hundred and eighty-four (584) employees and/or their beneficiaries were eligible to receive such benefits at June 30, 2013, and 2012, 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 post-employment 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 post-employment benefits in accordance with the terms of the District's OPEB plan.

11. POST-EMPLOYMENT BENEFITS (Continued)

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

The ARC for the fiscal year ended June 30, 2013, was determined as part of the July 1, 2011, actuarial valuation. The ARC amount was $2,339,439. For the fiscal years ended June 30, 2013 and 2012, the District's annual OPEB cost (expense) was $2,339,439 and $2,257,740, 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:

	2013	2012
Annual Required Contribution	$ 2,339,439	$ 2,257,740
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost (Expense)	2,339,439	2,257,740
Contributions Made	(2,339,439)	(2,257,740)
Increase (Decrease) in Net OPEB Obligation	$ -	$ -

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2013, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2011	$ 2,192,523	100.0%	-
06/30/2012	$ 2,257,740	100.0%	-
06/30/2013	$ 2,339,439	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)	$ 33,126,230
Actuarial Value of Plan Assets	7,581,083
Unfunded Actuarial Accrued Liability (UAAL)	$ 25,545,147
Funded Ratio (Actuarial Value of Plan Assets/AAL)	22.89%
Covered Payroll (Active Plan Members)	$ 20,936,260
UAAL as a Percentage of Covered Payroll	122.01%

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, 2013, was determined as part of the July 1, 2011, actuarial valuation. As of June 30, 2013, and 2012, the ARC was $781,898 and $750,236, 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:

	2013	2012
Annual Required Contribution	$ 781,898	$ 750,236
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost (Expense)	781,898	750,236
Contributions Made	(781,898)	(750,236)
Increase (Decrease) in Net OPEB Obligation	$ -	$ -

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2013, and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2011	$ -	0.0%	$ -
06/30/2012	$ 750,236	100.0%	$ -
06/30/2013	$ 781,898	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)	$ 7,591,486
Actuarial Value of Plan Assets	384,527
Unfunded Actuarial Accrued Liability (UAAL)	$ 7,206,959
Funded Ratio (Actuarial Value of Plan Assets/AAL)	5.07%
Covered Payroll (Active Plan Members)	$ 25,550,318
UAAL as a Percentage of Covered Payroll	28.21%

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, 2013, was determined as part of the July 1, 2011, actuarial valuation. As of June 30, 2013, and 2012, the ARC was $266,538 and $252,353, 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:

	2013	2012
Annual Required Contribution	$ 266,538	$ 252,353
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost (Expense)	266,538	252,353
Contributions Made	(266,538)	(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, 2013,and the preceding year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2012	$ 252,353	100.0%	$ -
06/30/2013	$ 266,538	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)	$ 2,125,047
Actuarial Value of Plan Assets	118,014
Unfunded Actuarial Accrued Liability (UAAL)	$ 2,007,033
Funded Ratio (Actuarial Value of Plan Assets/AAL)	5.55%
Covered Payroll (Active Plan Members)	$ 10,329,269
UAAL as a Percentage of Covered Payroll	19.43%

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 8.5% for fiscal year 2013, 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, 2013, was developed using a 29 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.

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, 2013:

Type of Coverage	Self-insurance (per occurrence)	Excess Coverage (per occurrence)
Workers' Compensation	Up to $2,000,000	$2,000,000 to $25,000,000
Commercial General Liability		
Bus	Up to $2,000,000	$2,000,000 to $100,000,000
Light Rail	Up to $5,000,000	$5,000,000 to $100,000,000
*Property:		
Perils	Up to $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 $18,439,306 and $18,292,958 reported at June 30, 2013 and 2012, 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, 2013, and 2012, 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 $4,392,295 and $4,386,585 at June 30, 2013, and 2012, 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, 2013, and 2012 were as follows:

Fiscal Year Ended	Beginning of the Year Liability	Current Year Claims and Changes in Estimate	Claims Payments	End of the Year Liability
June 30, 2013	$ 18,292,958	$ 5,327,966	$ (5,181,618)	$ 18,439,306
June 30, 2012	19,045,267	4,209,861	(4,962,170)	18,292,958

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 $47,330,715 and $28,694,676 at June 30, 2013, and 2012, respectively. Federal, state, and local grant funds have been approved for such construction.

13. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the $19.925 billion of state general obligation bonds authorized, $4 billion was set aside by the State as instructed by statute as the PTMISEA. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement. PTMISEA activity for the fiscal years ended June 30, 2013, and 2012 are as follows:

	2013	2012
Balance July 1	$ -	$ -
Receipts	20,285,652	1,563,524
Expenses:		
LRT Crossing Enhancements	(2,986)	(524)
UTDC Retrofit	-	(139,504)
Bus Maintenance Facility	(1,609,478)	(305,851)
ADA Transit Plan Improvements	(11,419)	(8,130)
Replace Neighborhood Ride Vehicles (hybri	(13,430)	(35,137)
South Line Phase 2 Extension	(13,064,176)	(668,883)
Siemens Mid Life Overhaul	(11,538)	(4,293)
Siemens E&H Ramp Relacement	(3,930)	(866)
N. Natomas 5 Buses	(105)	(400,000)
Bucket/Platform Truck	(67,488)	-
Retrofit LRV Hoist	(2,727)	-
SAG 410	(4,608,194)	-
Smart Card LR Platform Prep	(420,371)	-
SACOG Connect Card Proj	(469,173)	-
Connect Card-Mobile Access Routers	(637)	-
Bus Lot Improvements	-	(78)
LR Platform	-	(258)
Balance June 30	$ -	$ -

SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS
AS OF JUNE 30, 2013

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)
06/30/2010	$ 134,517,986	$ 190,222,989	$ 55,705,003	70.7%	$ 38,342,969	145.3%
06/30/2011	136,269,214	200,302,461	64,033,247	68.0%	38,558,226	166.1%
06/30/2012	136,651,230	199,249,752	62,598,522	68.6%	37,110,134	168.7%

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.

Effective January 1, 2013 member contributions were only required for members hired after January 1, 2013. Subsequently, the California Public Employees' Pension Reform Act of 2013 (PEPRA) requiring member contributions for members hired after January 1, 2013 was amended on October 4, 2013 by California assembly bill no 1222 (AB 1222). AB 1222 would exempt from PEPRA public employees whose collective bargaining rights are subject to specified provisions of federal law until a specified federal district court decision on a certification by the United States Secretary of, or his or her designee, or until January 1, 2015.

SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS
AS OF JUNE 30, 2013

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)
06/30/2010	$ 50,994,346	$ 86,869,623	$ 35,875,277	58.7%	$ 19,466,160	184.3%
06/30/2011	52,145,118	96,435,226	44,290,108	54.1%	19,105,372	231.8%
06/30/2012	53,365,642	97,903,776	44,538,134	54.5%	19,626,841	226.9%

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.

Effective January 1, 2013 member contributions were only required for members hired after January 1, 2013. Subsequently, the California Public Employees' Pension Reform Act of 2013 (PEPRA) requiring member contributions for members hired after January 1, 2013 was amended on October 4, 2013 by California assembly bill no 1222 (AB 1222). AB 1222 would exempt from PEPRA public employees whose collective bargaining rights are subject to specified provisions of federal law until a specified federal district court decision on a certification by the United States Secretary of, or his or her designee, or until January 1, 2015.

SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS
AS OF JUNE 30, 2013

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)
07/01/2008	$ -	$ 28,837,480	$ 28,837,480	0.00%	$ 19,292,251	149.5%
07/01/2010	4,417,079	28,992,683	24,575,604	15.24%	17,262,633	142.4%
07/01/2011	7,581,083	33,126,230	25,545,147	22.89%	20,936,260	122.0%

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)
07/01/2009	$ -	$ 4,448,122	$ 4,448,122	0.00%	$ 37,904,888	11.7%
07/01/2011	384,527	7,591,486	7,206,959	5.07%	25,550,318	28.2%

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)
07/01/2011	$ 118,014	$ 2,125,047	$ 2,007,033	5.55%	$ 10,329,269	19.4%

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 POSITION
PENSION TRUST FUNDS
JUNE 30, 2013

	ATU/IBEW	Salaried	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 6,709,653	$ 2,630,742	$ 9,340,395
Interest, Dividend and Other Receivables	11,906,364	4,633,880	16,540,244
Total Current Assets	18,616,017	7,264,622	25,880,639
Long-Term Investments:			
Equity Securities	94,534,988	38,380,248	132,915,236
Fixed Income Securities	59,156,304	22,909,172	82,065,476
Total Long-Term Investments	153,691,292	61,289,420	214,980,712
Total Assets	172,307,309	68,554,042	240,861,351
LIABILITIES			
Liabilities:			
Securities Purchased Payable	20,292,862	7,865,939	28,158,801
Accounts Payable	600,417	104,959	705,376
Total Liabilities	20,893,279	7,970,898	28,864,177
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 151,414,030	$ 60,583,144	$ 211,997,174

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
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 POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 136,201,424	$ 52,968,266	$ 189,169,690

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	ATU/IBEW	Salaried	Total
ADDITIONS			
Contributions:			
Employer	$ 8,693,568	$ 5,799,546	$ 14,493,114
Member	13,346	1,070	14,416
Total Contributions	8,706,914	5,800,616	14,507,530
Investment Income:			
Net Increase in Fair Value of Investments	16,957,815	6,730,455	23,688,270
Interest, Dividends, and Other Income	2,454,274	955,251	3,409,525
Investment Expenses	(699,252)	(279,264)	(978,516)
Net Investment Gain	18,712,837	7,406,442	26,119,279
Total Additions	27,419,751	13,207,058	40,626,809
DEDUCTIONS			
Benefits Paid to Participants	12,070,149	5,447,437	17,517,586
Administrative Expenses	136,996	144,743	281,739
Total Deductions	12,207,145	5,592,180	17,799,325
Increase in Net Position	15,212,606	7,614,878	22,827,484
Net Position Held in Trust for Pension Benefits - July 1	136,201,424	52,968,266	189,169,690
Net Position Held in Trust for Pension Benefits - June 30	$ 151,414,030	$ 60,583,144	$ 211,997,174

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

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

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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Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year. The District implemented GASB Statements No. 63 and 65 in the fiscal year ended June 30, 2013. Schedules comparative results are retroactively presented.*

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

Fiscal Year

Net Position	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Investment in Capital Assets	$ 690,299	$ 717,156	$ 726,109	$ 743,350	$ 752,243	$ 771,045	$ 770,304	$ 778,152	$ 787,711	$ 799,650
Restricted for:										
Capital Projects	3,069	2,682	2,103	1,928	1,699	2,580	1,841	1,840	4,474	2,845
Debt Service	-	-	-	-	-	-	-	-	-	2,278
Unrestricted	3,705	10,461	1,807	9,882	2,695	1,446	(2,093)	(4,287)	(526)	1,689
Total Net Position	$ 697,073	$ 730,299	$ 730,020	$ 755,160	$ 756,637	$ 775,071	$ 770,052	$ 775,705	$ 791,658	$ 806,463

Source: Comprehensive Annual Financial Report

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(expressed in thousands)
Fiscal Year

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Revenues										
Fares	$ 22,004	$ 21,101	$ 25,072	$ 27,101	$ 29,866	$ 32,571	$ 30,864	$ 28,967	$ 28,964	$ 29,759
Operating Expenses										
Labor and Fringe Benefits	72,483	79,366	85,368	85,887	93,780	91,580	91,203	79,366	82,209	88,064
Professional and Other Services	19,553	21,418	23,555	23,613	26,505	26,584	24,797	20,720	21,417	24,996
Spare Parts and Supplies	11,092	14,468	18,445	14,941	12,188	12,950	11,044	8,524	9,785	10,517
Utilities	4,349	4,389	5,579	4,944	5,550	5,545	5,531	5,741	5,587	5,639
Casualty and Liability Costs	9,308	7,176	7,788	9,774	11,159	7,104	2,286	6,540	6,353	7,910
Depreciation and Amortization	23,233	28,121	28,840	28,434	28,445	30,699	30,870	31,238	31,392	31,380
Indirect Costs Allocated to Capital Programs	-	-	-	-	-	(2,172)	(863)	(881)	(824)	(763)
Other	1,864	2,092	1,890	1,971	1,896	1,680	1,402	1,547	1,492	1,396
Total Operating Expenses	141,883	157,030	171,465	169,564	179,524	173,970	166,270	152,795	157,411	169,139
Operating Loss	(119,879)	(135,929)	(146,393)	(142,462)	(149,658)	(141,399)	(135,407)	(123,828)	(128,447)	(139,380)
Non-Operating Revenues (Expenses)										
Operating Assistance:										
State and Local	66,877	70,453	78,680	92,839	84,558	70,725	58,135	58,109	69,132	71,275
Federal	11,853	24,400	19,413	21,011	22,804	30,788	34,552	27,374	28,670	31,007
Investment Income	1,076	842	3,882	7,908	8,145	8,911	6,439	4,113	2,456	1,755
Interest Expense	(470)	(634)	(3,805)	(7,900)	(7,951)	(9,154)	(6,792)	(4,401)	(2,722)	(2,522)
Pass Through to Subrecipients	(752)	(528)	(2,570)	(1,791)	(1,378)	(478)	(3,638)	(4,043)	(4,216)	(1,672)
Contract Services	5,697	4,970	4,993	5,295	4,732	4,311	4,599	4,362	5,245	5,607
Other	1,728	1,508	1,198	891	4,336	3,304	2,758	3,946	2,485	3,414
Total Non-Operating Revenues	86,010	101,012	101,790	118,253	115,246	108,407	96,052	89,461	101,049	108,862
Loss Before Capital Contributions	(33,869)	(34,916)	(44,603)	(24,209)	(34,412)	(32,992)	(39,355)	(34,367)	(27,398)	(30,518)
Capital Contributions										
State and Local	57,026	14,779	22,287	21,267	29,606	42,441	29,381	36,482	33,474	35,836
Federal	115,451	54,334	21,321	28,082	4,575	8,985	4,955	3,538	10,016	9,331
Increase (Decrease) in Net Position before Special Item	138,608	34,196	(995)	25,141	(230)	18,433	(5,019)	5,653	16,092	14,650
Extraordinary (Loss) Gain on Early Extinguishment of Debt	(97)	-	-	-	-	-	-	-	-	155
Special Items	-	-	715	-	-	-	-	-	-	-
Increase (Decrease) in Net Position after Special Item	$ 138,511	$ 34,196	$ (280)	$ 25,141	$ (230)	$ 18,433	$ (5,019)	$ 5,653	$ 16,092	$ 14,805

Source: Comprehensive Annual Financial Report

Operating Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Farebox	Fare Prepayment/ Outlet Sales	Special/ Contracted	Other	Total
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
2013	7,971,366	19,311,009	2,462,865	13,439	29,758,679

Total Revenue Source: Comprehensive Annual Financial Report

Principal Fare Revenue Payers
Current Year and Nine Years Ago

Customers	Fiscal Year 2013 Sales Amount	%	Fiscal Year 2004 Sales Amount	%
Department of Human Assistance	$ 2,043,900	6.87%	$ 1,283,360	5.83%
Raley's Family of Fine Stores	1,218,320	4.09%	595,687	2.71%
Department of Transportation	990,615	3.33%	444,405	2.02%
Los Rios Community College District	999,338	3.36%	-	0.00%
Employment Development Department	898,570	3.02%	529,485	2.41%
Alta California Regional Center	725,300	2.44%	533,527	2.42%
California Environmental Protection Agency	741,965	2.49%	304,036	1.38%
Health & Human Services	793,375	2.67%	378,803	1.72%
Franchise Tax Board	740,820	2.49%	280,365	1.27%
California State University Sacramento	677,655	2.28%	471,879	2.14%
Water Resources Department	-	0.00%	503,670	2.29%
Subtotal (10 Largest)	9,829,858	33.03%	5,325,217	24.20%
Balance from other customers	19,928,821	66.97%	16,678,294	75.80%
Grand Total	$ 29,758,679	100.00%	$ 22,003,511	100.00%

Total Revenue Source: Comprehensive Annual Financial Report

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Farebox Revenue Bonds Series 2012	Certificates of Participation 2003	Line of Credit	Notes Payable	Total Debt	Six-County Region Percentage of Personal Income	Six-County Region Per Capita
2004	$ -	$ 18,810,492	$ -	$ -	$ 18,810,492	0.03%	8.71
2005	-	17,364,508	-	-	17,364,508	0.02%	7.93
2006	-	15,888,525	8,000,000	-	23,888,525	0.03%	10.77
2007	-	14,387,541	-	-	14,387,541	0.02%	6.41
2008	-	12,841,557	10,500,000	-	23,341,557	0.03%	10.26
2009	-	11,235,574	20,000,000	-	31,235,574	0.04%	13.59
2010	-	9,554,590	11,100,000	-	20,654,590	0.02%	8.90
2011	-	7,788,606	7,600,000	-	15,388,606	0.02%	6.61
2012	-	5,942,622	10,000,000	8,230,039	24,172,661	Not available	10.33
2013	95,000,484	-	21,800,000	8,642,509	125,442,993	Not available	53.13

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.

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Fare Revenue	Non-Fare Revenues	Total Revenue	Less Operating Expense	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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
2013	29,758,679	109,001,025	138,759,704	136,103,794	2,655,910	5,740,000	2,347,098	0.33

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

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

Demographic and Economic Indicators
Last Ten Fiscal Years

	Population[1,2]		Personal Income[1,2] (In Thousands)		Per Capital Personal Income[1]		Unemployment Rate[3]	
	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region
2004	1,348,932	2,158,889	$ 45,282,367	$ 75,034,013	$ 33,569	$ 34,756	5.6%	5.8%
2005	1,360,816	2,189,899	47,563,421	79,258,385	34,952	36,193	5.0%	5.2%
2006	1,369,563	2,218,269	50,165,916	84,523,505	36,629	38,103	4.8%	4.9%
2007	1,381,161	2,245,937	52,572,684	88,921,252	38,064	39,592	5.4%	5.6%
2008	1,394,438	2,273,938	54,078,812	92,217,442	38,782	40,554	7.2%	7.3%
2009	1,408,601	2,298,630	52,150,896	88,617,448	37,023	38,552	11.3%	11.5%
2010	1,422,094	2,321,806	52,811,960	90,288,160	37,137	38,887	12.7%	12.9%
2011	1,436,105	2,343,732	54,861,602	94,097,732	38,202	40,149	12.1%	12.3%
2012	1,433,525	2,342,801	Not available	Not available	Not available	Not available	10.6%	10.9%
2013	1,445,806	2,360,844	Not available	Not available	Not available	Not available	9.0%	9.4%

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

1. 2004-2011 U.S. Department of Commerce, Bureau of Economic Analysis, *CA1-3 Personal income population, per capital personal income.*
2. 2012-2013 State of California, Department of Finance, E-1 City, County and State Population Estimates, 2012–2013.
3. State of California, Employment Development Department, Labor Force & Employment Data

Principal Employers
Current Year and Nine Years Ago

	Fiscal Year 2013			Fiscal Year 2004		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of California	69,469	1	11.23%			
Sacramento County	10,634	2	1.72%			
UC Davis Health System	9,985	3	1.61%			
Sutter Health Sacramento Sierra Region	6,507	4	1.05%	6,405	4	1.04%
Intel Corporation	6,000	5	0.97%	7,000	2	1.13%
Dignity Health	5,756	6	0.93%	6,002	5	0.97%
U.S. government	5,750	7	0.93%			
Kaiser Permanente	5,696	8	0.92%	7,694	1	1.24%
Elk Grove Unified School District	5,535	9	0.89%			
San Juan Unified School District	4,700	10	0.76%			
Raley's Inc.				6,632	3	1.07%
SBC Communications				5,180	6	0.84%
Hewlett-Packard				4,500	7	0.73%
Wal-Mart				3,220	8	0.52%
EDS				2,870	9	0.46%
Health Net of California				2,000	10	0.32%
Total	130,032		21.01%	51,503		8.32%

Sources: Fiscal Year 2013, Sacramento Business Journal
Fiscal Year 2004, Sacramento Area Commerce and Trade Organization

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 2012 Series Revenue Bonds. All Disclosure requirements can be found in the District's Comprehensive Annual Financial Report (CAFR) and the District's Adopted Budget.

	FY 2013 CAFR Page No.	FY 2013 Adopted Budget
1 Management Discussion and Analysis, Audited Financial Statements and Statistical Information	4-86	
2 Tabular or numerical information of the types contained in the Official Statement relating to the 2012 Series Revenue Bonds under the following subscriptions:		
Ridership and Farebox Revenues (i)	80,81,82,83	
Historical Operating Results	14,68,69	
Farebox Recovery Ratios (ii)	47,80	
Historical Nonoperating Revenues – 10 year funds (iii)	78,79	
Measure A Sales Tax Funding Trends (iv)	46,79	
LTF Revenues claimed and expended by the District (v)	46,79	
STA Funds Claimed and Utilized by the District (vi)	46,79	
Federal Grant Funds Utilized by the District (v)	45,78	
Adopted Operating Budget (vi)		48
Capital Project Expediture Plan		135

Covenants of the Issuer

The following summary provides the District's specific and continuing covenants of the issuer in connection with the 2012 Series Revenue Bonds. All Disclosure requirements can be found in the Official Statement, the District's Comprehensive Annual Financial Report (CAFR).

	2012 Official Statement	FY 2013 CAFR Page No.
Punctual Payments	43	41
Application of Farebox Revenues	44	14

District Profile
As of June 30, 2013

Date the Authority began Operations	April 1, 1973
Form of Governance	Board of Directors, with General Manager
Metropolitan Population	1.4 million
Total Employees	940
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	67
Number of Rail Lines	3
Miles of Rail	38.6
Weekday Bus Revenue Service Miles	19,228
Weekday Rail Revenue Service Miles	12,275
Average Weekday Bus and Rail Riders	94,522
Number of Vehicles in Service	182 30 CNG Buses (Reserve) 76 Rail Vehicles 11 Shuttle Vans
Paratransit	132 Paratransit Vehicles
Park and Ride Lots	18
Bus and Light Rail Transfer Stations	31
Bus Stops	3,300+
Rail Stations	50

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	Section 5339	Section 5337	ARRA	Other
	Section 5307	Section 5309 Fixed Guideway	Section 5309 Bus	Section 5309 New Start	Section 5316/5317 JARC/NF					
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			16,240,000	-
2010	19,028,000	4,638,430	-	38,000,000	28,898	2,300,000			15,057,612	-
2011	17,880,540	5,582,436	-	-	285,313	-			-	-
2012	18,676,000	6,003,331	5,000,000	-	615,000	-			-	384,912
2013	19,907,689	-	-	40,000,000	525,000	3,229,327	524,211	8,872,128	-	93,287

Federal Funds

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

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

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

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

Section 5316 Jobs Access & Reverse Commute (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.

Section 5339 Bus and Facilities Funds: Funds distributed by formula for bus renovations, purchases and bus support facility projects.

Section 5337 State of Good Repair Funds: Funds distributed for formula to repair and upgrade rail transit systems along with high-density motor bus systems that use high occupancy vehicle (HOV) lanes including bus rapid transit (BRT).

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.

TEN YEAR FUNDING HISTORY (Continued)

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
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	48,105,515	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	29,075,732	27,382,646	5,304,891
2012	-	25,984,490	31,045,187	34,671,997	9,596,963
2013	-	36,576,736	32,368,073	30,043,310	10,019,397

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.

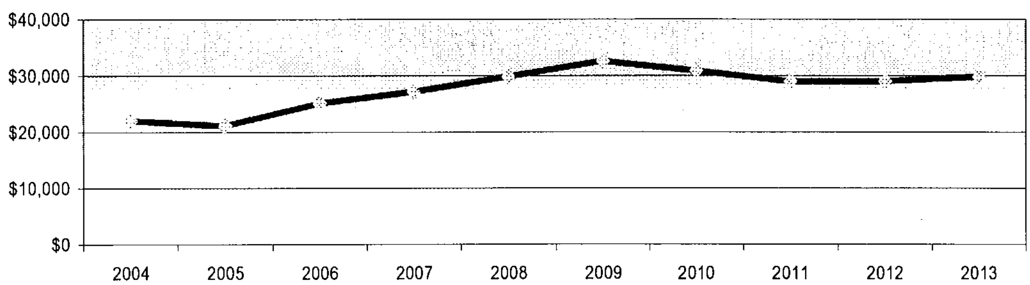
State Transit Assistance Funds: Funds generated by the sales tax on gasoline and diesel fuel sales. These funds are disbursed to transit agencies for a variety of transit capital and operating support needs.

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

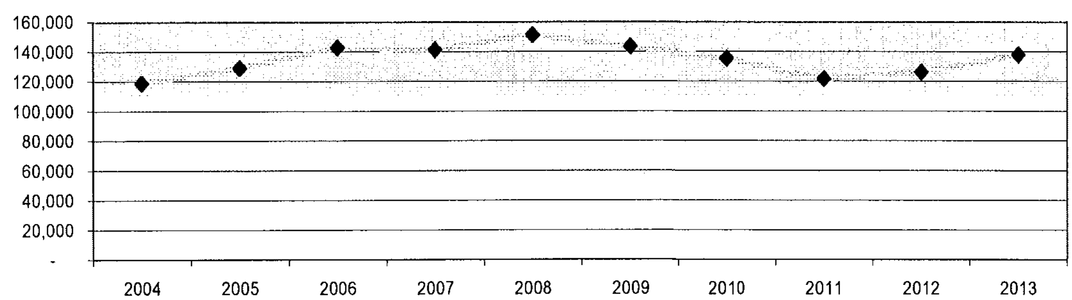
FARE RECOVERY
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fare Revenue	$22,004	$21,101	$25,072	$27,101	$29,866	$32,571	$30,864	$28,967	$28,964	$29,759
Local Fund Supplementation	8,252	11,771	11,297	8,887	8,659	3,963	3,663	2,030	3,171	5,370
Total Operating Expenses	118,650	128,909	142,625	141,129	151,079	143,271	135,400	121,557	126,019	137,757
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



TOTAL OPERATING EXPENSES

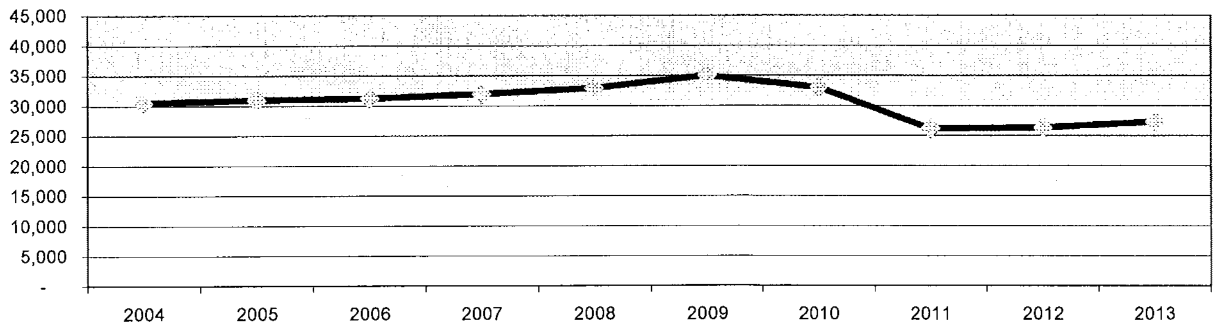


Source: Comprehensive Annual Financial Report

RIDERSHIP
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Ridership	30,469	30,938	31,230	31,951	32,951	35,050	33,060	26,161	26,338	27,298
% change	6.48%	1.54%	0.94%	2.31%	3.13%	6.37%	(5.68%)	(20.87%)	0.68%	3.64%

RIDERSHIP



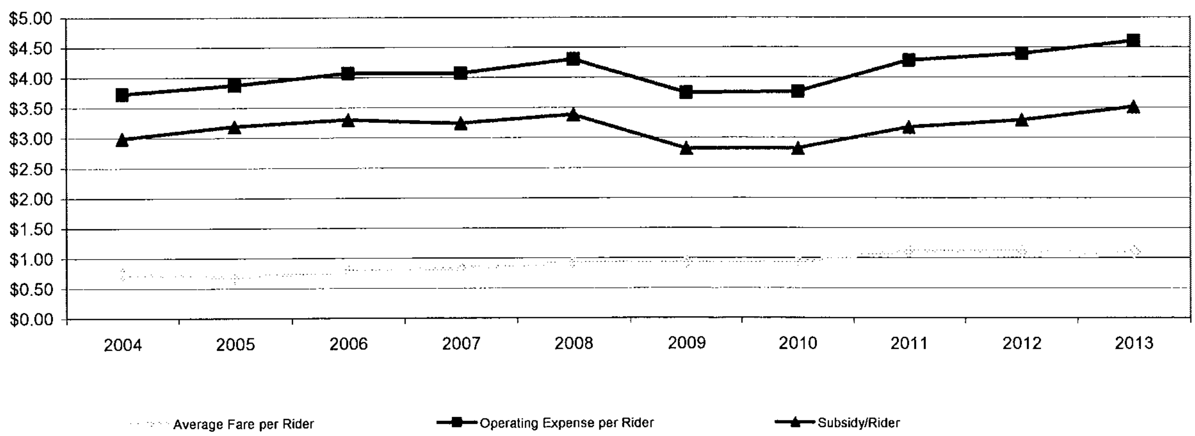
Source: District Planning Department
NTD Statistics

OPERATING SUBSIDY
LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Average Fare per Rider	$0.74	$0.68	$0.77	$0.83	$0.92	$0.93	$0.93	$1.11	$1.10	$1.09
Operating Expense per Rider [1]	$3.73	$3.87	$4.07	$4.07	$4.30	$3.75	$3.76	$4.28	$4.39	$4.60
Subsidy/Rider	$2.99	$3.19	$3.30	$3.24	$3.38	$2.82	$2.82	$3.17	$3.29	$3.51

[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

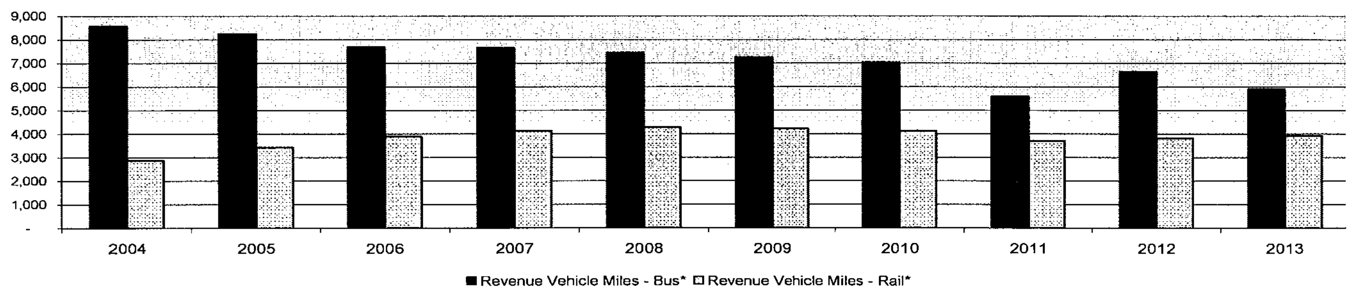
SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

SERVICE PROVIDED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
BUS										
Revenue Vehicle Miles - Bus*	8,566	8,239	7,688	7,638	7,431	7,244	7,032	5,590	6,632	5,893
Revenue Vehicle Hours*	696.7	749.0	710.9	702.8	677.7	652.0	628.2	501.2	506.0	532.0
# Vehicles	275	275	275	269	271	271	233	229	229	232
RAIL										
Revenue Vehicle Miles - Rail*	2,879	3,429	3,888	4,128	4,267	4,213	4,120	3,697	3,823	3,921
Revenue Vehicle Hours*	149.8	197.3	208.9	209.7	216.7	213.1	208.6	191.1	203.3	217.2
Train Revenue Hours*	65.4	83.3	81.5	81.6	81.9	81.7	81.4	69.3	70.0	82.0
# of Vehicles	76	76	76	76	76	76	76	76	76	76

SERVICE PROVIDED



Service Consumed

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
BUS										
Passengers*	19,447	18,929	16,778	17,461	17,466	17,735	17,579	13,617	13,146	13,784
Passenger Miles*	67,701	61,747	54,559	54,551	57,444	59,001	61,417	47,525	46,521	49,440
RAIL										
Passengers*	11,022	12,009	14,452	14,490	15,485	17,315	15,481	12,544	13,192	13,513
Passenger Miles*	56,948	60,682	78,181	78,760	85,807	93,087	83,409	72,860	74,706	75,797
TOTAL										
Passengers*	30,469	30,938	31,230	31,951	32,951	35,050	33,060	26,161	26,338	27,298
Passenger Miles*	124,649	122,430	132,740	133,311	143,251	152,088	144,826	120,385	121,227	125,237
FLEET										
Bus	275	275	275	269	271	271	233	229	219	223
Rail	76	76	76	76	76	76	76	76	76	76
TOTAL EMPLOYEES	1,154	1,164	1,198	1,162	1,125	1,087	907	901	901	940

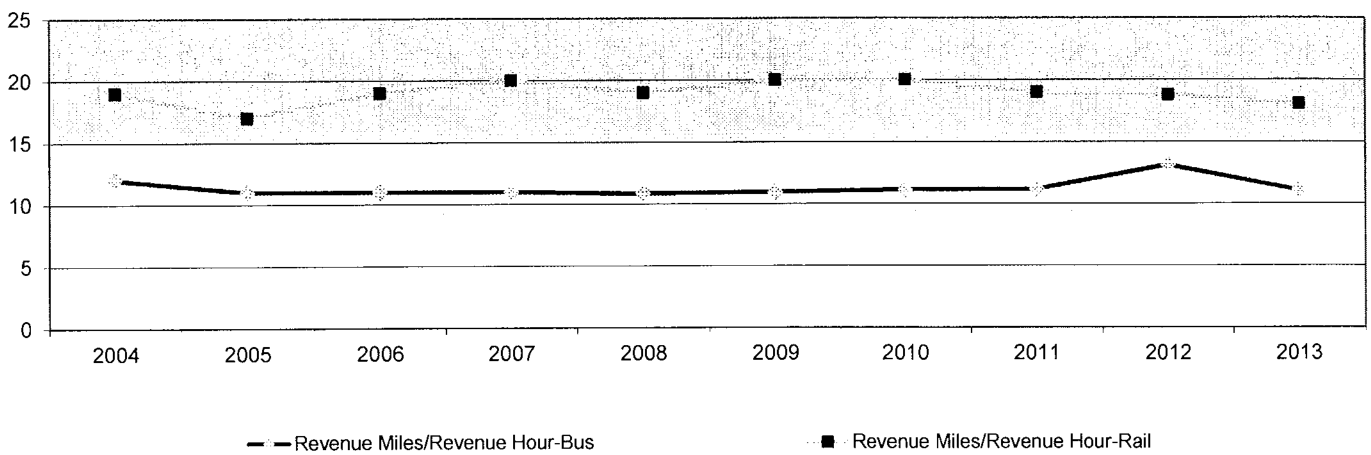
Source: District Planning Department; NTD Statistics

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

SERVICE PERFORMANCE DATA (Continued)
LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue Miles/Revenue Hour-Bus	12	11	11	11	11	11	11	11	13	11
Revenue Miles/Revenue Hour-Rail	19	17	19	20	19	20	20	19	19	18

SERVICE PERFORMANCE DATA



Source: District Planning Department; NTD Statistics

FARES
(As of June 30, 2013)

Single and Daily Pass Fares

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

Pre-Paid Ticket Books

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

Monthly Passes and Stickers

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

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

PERFORMANCE MEASURES

Performance Measures in Sacramento's Peer Transit Agencies

City, State	2010 Urban Area Population		2011 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)**	**$ 4.94**	**(4)**	**$ 12.04**	**(4)**	**$ 134.24**	**(4)**	**$ 3.83**	**(4)**	**22.4%**	**(4)**
Buffalo, NY	935,906	(46)	4.33	(6)	10.16	(6)	114.06	(5)	3.10	(6)	28.3%	(1)
Charlotte, NC	1,249,442	(38)	3.54	(7)	7.12	(8)	98.68	(8)	2.69	(7)	24.1%	(2)
Columbus, OH	1,368,035	(36)	4.48	(5)	8.95	(7)	109.58	(7)	3.56	(5)	20.5%	(5)
Long Beach, CA	12,150,996	(2)	2.61	(8)	10.89	(5)	109.75	(6)	2.00	(8)	23.6%	(3)
San Carlos, CA	3,281,212	(13)	7.14	(1)	15.10	(1)	164.70	(2)	5.80	(1)	18.8%	(6)
San Jose, CA	1,664,496	(29)	6.50	(2)	14.13	(2)	173.63	(1)	5.59	(2)	14.0%	(8)
Tacoma, WA	3,059,393	(14)	5.54	(3)	12.23	(3)	148.96	(3)	4.67	(3)	15.6%	(7)
Average for Bus Peers	**3,387,069**		**4.88**		**11.23**		**131.34**		**3.92**		**20.7%**	
RAIL PEERS												
Sacramento, CA	**1,723,634**	**(28)**	**3.49**	**(3)**	**11.85**	**(4)**	**229.30**	**(3)**	**2.39**	**(3)**	**31.7%**	**(5)**
Dallas, TX	5,121,892	(6)	6.27	(1)	20.28	(1)	401.39	(1)	5.52	(1)	12.0%	(7)
Denver, CO	2,374,203	(18)	3.06	(4)	7.48	(7)	141.62	(6)	1.77	(4)	42.1%	(3)
Portland, OR	1,849,898	(24)	2.27	(6)	11.96	(3)	175.18	(4)	1.28	(6)	43.7%	(2)
Salt Lake City, UT	1,021,243	(42)	2.27	(5)	9.06	(5)	112.29	(7)	1.45	(5)	36.3%	(4)
San Diego, CA	2,956,746	(15)	1.91	(7)	8.03	(6)	142.85	(5)	0.81	(7)	57.4%	(1)
San Jose, CA	1,664,496	(29)	5.87	(2)	19.92	(2)	321.93	(2)	4.95	(2)	15.7%	(6)
Average for Rail Peers	**2,498,080**		**3.61**		**12.79**		**215.88**		**2.63**		**34.5%**	

Source: National Transit Database, 2011 Transit Profiles - All Agencies

Attachment 4

SACRAMENTO REGIONAL TRANSIT DISTRICT

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

YEAR ENDED JUNE 30, 2013

SACRAMENTO REGIONAL TRANSIT DISTRICT

YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

SACRAMENTO REGIONAL TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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 Cluster			
Federal Transit - Capital Investment Grants	20.500	CA-03-0806	$ 5,899,278
Federal Transit - Capital Investment Grants	20.500	CA-03-0630	36,576
Federal Transit - Capital Investment Grants	20.500	CA-04-0013	840,376
Total 20.500			6,776,230
Federal Transit - Formula Grants	20.507	CA-90-Z082	9,357,425
Federal Transit - Formula Grants	20.507	CA-90-Z114	10,273,622
Federal Transit - Formula Grants	20.507	CA-90-Y962	624,000
Federal Transit - Formula Grants	ARRA 20.507	CA-96-X060	2,814,815
Federal Transit - Formula Grants	20.507	CA-90-Y356	81,459
Federal Transit - Formula Grants	20.507	CA-90-Y289	727
Federal Transit - Formula Grants	20.507	CA-90-Y078	170,833
Federal Transit - Formula Grants	20.507	CA-90-Y471	18,194
Federal Transit - Formula Grants	20.507	CA-90-Y791	263,074
Federal Transit - Formula Grants	20.507	CA-90-Y742	93,355
Federal Transit - Formula Grants	20.507	CA-90-Y633	269,951
Federal Transit - Formula Grants	20.507	CA-90-X800	(246,400)
Federal Transit - Formula Grants	20.507	CA-95-X029	(54,139)
Total 20.507			23,666,916
State of Good Repair	20.525	CA-54-0008	4,436,064
State of Good Repair	20.525	CA-54-0003	4,436,064
Total 20.525			8,872,128
Total Federal Transit Cluster			39,315,274
Passed through Sacramento Area Council of Governments:			
Highway Planning and Construction	20.205	N/A	84,855
State Planning and Research	20.515	N/A	46,533

SACRAMENTO REGIONAL TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Federal Agency Grant Identifying Number	Expenditures
Transit Services Program Cluster			
Direct program:			
Job Access - Reverse Commute	20.516	CA-37-X065	212,543
Passed through Sacramento Area Council of Governments:			
Job Access - Reverse Commute	20.516	CA-37-X161-01	400,645
Total 20.516			613,188
Passed through Sacramento Area Council of Governments:			
New Freedom Program	20.521	CA-57-X042	45,460
Total Transit Services Programs Cluster			658,648
Total U.S. Department of Transportation			40,105,310
U.S. Department of Homeland Security:			
Rail and Transit Security Grant Program	97.075	2009-RA-T9-0053	61,464
Rail and Transit Security Grant Program	97.075	EMW-2011-RA-K00096-S01	157,633
Rail and Transit Security Grant Program	97.075	EMW-2012-RA-K00027-S01	13,516
Total 97.075			232,613
Total U.S. Department of Homeland Security			232,613
Total Federal Expenditures			$ 40,337,923

SACRAMENTO REGIONAL TRANSIT DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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	$ 48,985
Placer County	163,558
Total	$ 212,543

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

City of Sacramento	$ 723,212
City of Placerville	35,268
Total	$ 758,480

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

El Dorado County Transit Authority	$ 210,000
City of Citrus Heights	77,404
City of Folsom	414,000
Total	$ 701,404

3. FEDERAL AWARDS PAYABLE OR UNCOLLECTIBLE

During the fiscal year ended June 30, 2013, the District identified payments totaling $54,139 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.

During the fiscal year ended June 30, 2007, the District reported as expenditures $246,400 on the SEFA under CFDA #20.507 federal agency grant identifying number CA-90-X800 that were never billed or reimbursed by the DOT.

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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

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 1, 2013.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC
Sacramento, California

November 1, 2013

Gilbert Associates, Inc.
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY 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

Report on Compliance for Each Major Federal Program

We have audited the 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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and 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 on compliance for its major federal program. However, our audit does not provide a legal determination on the District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program 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 District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 1, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 1, 2013

SACRAMENTO REGIONAL TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
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:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	______Yes	✓ No

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
20.500, 20.507 and 20.525	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs	$ 1,219,154	
Auditee qualified as low-risk auditee?	✓ 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, 2013

There were no findings in the prior year.

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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, 2013, and have issued our report thereon dated November 1, 2013. 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. As described in Note 1 in the financial statements, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* for the year ended June 30, 2013. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note 1, and the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position show restated net position amounts accordingly. 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 allowance for accounts receivable, depreciation and amortization of capital assets, accrued compensated absences, reserve for claims liability, retirement expenses, and other post-employment benefits (OPEB) costs.
>
> Management's estimate of the allowance for accounts receivable is based on management's analysis of the collectability of individual accounts. 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 for reserve for claims payable is based upon actuarial methods and assumptions for Workers' Compensation and Public Property and Liability Damage. Management's estimates of annual retirement and OPEB costs/liabilities are based on the estimated costs of providing retirement and health benefits to the District's current and retired employees using actuarial methods and assumptions. We evaluated the key factors and assumptions used to develop these 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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 1, 2013.

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.

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 1, 2013

SUMMARY OF PASSED ADJUSTMENTS

Account	Description	Debit		Credit	
Uncorrected JE # 301					
To properly account for the change in prior years net position due to a miscalculation of depreciation expense in previous years identified by the District but posted to current year operations. (Management deems uncorrected misstatement immaterial to the District's financial statements. Auditors concur with management's assessment.)					
690099	Depreciation Expense	$	1,440,780		
310000	Net Position - Beginning of year			$	1,440,780
Total		**$**	**1,440,780**	**$**	**1,440,780**