Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
22	12/12/16	Open	Action	12/05/16

Subject:	Receive and File the Comprehensive Annual Financial Report and Use the Reserve for Fiscal Year June 30, 2016 Decrease in Net Position

ISSUE

Receive and File the Comprehensive Annual Financial Report (CAFR), Reports on Compliance and Internal Controls as required by Uniform Guidance and the Transportation Development Act (TDA), the Report to the Board of Directors for the Fiscal Year Ended June 30, 2016; Designate $1,166,165 of reclassified State Transit Assistance (STA) funds to the District's Operating Reserve; and Use $1,095,319 of the District's Reserve for the Fiscal Year ended June 30, 2016.

RECOMMENDED ACTION

A. Motion: Receive and File the Comprehensive Annual Financial Report, Reports on Compliance and Internal Controls as Required by Uniform Guidance and the Transportation Development Act, the Report to the Board of Directors for the Fiscal Year Ended June 30, 2016; and

B. Adopt Resolution No. 16-12-_____, Designate $1,166,165 of Prior Years' State Transit Assistance Funds from Capital Revenue to the District's Operating Reserve; and

C. Adopt Resolution No. 16-12-_____, Use $1,095,319 of the District's Operating Reserve for the Fiscal Year ended June 30, 2016. (Requires two-thirds vote)

FISCAL IMPACT

These actions will result in a net increase of $70,846 to the July 1, 2015 beginning operating reserve balance of $3,115,950. Upon approval, the final June 30, 2016 operating reserve will be $3,186,796.

DISCUSSION

Each fiscal year, the District prepares a CAFR and reports on compliance and internal control as required by Uniform Guidance and the TDA. In addition, the District's auditors provide an annual 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 Uniform Guidance from its auditors, Crowe Horwath LLP, for the fiscal year ended June 30, 2016. Moreover, no material weaknesses involving the District's financial reporting or internal control processes were identified.

Approved:	Presented:
Final 12/7/16	
General Manager/CEO	Acting VP of Business Services/Chief Financial Officer

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
22	12/12/16	Open	Action	12/05/16

Subject: Receive and File the Comprehensive Annual Financial Report and Use the Reserve for Fiscal Year June 30, 2016 Decrease in Net Position

As with any annual audit, Crowe Horwath noted some delays in the responses related to Information Technology requests, however this was directly the result of the District's concentrated efforts on Golden One event service and urgent testing needed to provide a quick turnaround for the Connect Card soft launch. Management does not anticipate this to be a recurring theme. Crowe Horwath's comments can be found in Attachment #5.

<u>Financial Results Summary</u>

The CAFR presentation and classifications are intended to provide an overall 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 $10.7 million as of June 30, 2016.

This figure is comprised of an operational loss of $1.1 million, an increase of $8.7 million in net contributions received in support of the District's Capital Program and an increase of $3.1 million due to the impact of *GASB Statement No. 68,* financial reporting for pensions. For additional analysis, please refer to the Management Discussion and Analysis (MD&A) section found within the CAFR document starting on page 4.

Summary of Actual Results

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, 2016, the District's operating results were as follows: $28.1 million in fare revenues, $152.8 million in operating expenses, and $123.7 million in non-operating revenues (expenses).

Summary of Budget to Actual Variances

Budget to actual highlights include a net unfavorable variance in fare revenues of $1.9 million, net favorable variance in operating expenses of $2.4 million, and net unfavorable non-operating revenues of $1.6 million (see Attachment 2).

Explanation for Budget to Actual Variances

Operating Revenues

The District's FY2016 fare revenue totaled $28.1 million. The net unfavorable operating revenues variance of $1.9 million was primarily due to a decrease in ridership, which resulted in a shortfall in expected farebox receipts and prepaid sales revenue.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
22	12/12/16	Open	Action	12/05/16

Subject:	Receive and File the Comprehensive Annual Financial Report and Use the Reserve for Fiscal Year June 30, 2016 Decrease in Net Position

Operating Expenses

Operating expenses totaled $152.8 million, a favorable variance of $2.4 million from the adopted budget of $155.2 million. Labor and fringe benefits are over budget by $2.7 million due to lower than expected capital labor recovery, added overtime and other post-employment benefit costs. Spare parts and supplies were under budget by $2.0 million due to a reduction of spare parts consumed attributed to a new fleet of 44 buses and lower Compressed Natural Gas (CNG) and fuel costs. Actuarial adjustments to the District's self-insurance program resulted in favorable $2.6 million variance. This favorable development is due to the absence of large Public Liability and Property Damage (PLPD) claims and lower Workers Compensation costs.

Non-Operating Revenues (Expenses)

The net unfavorable non-operating revenue (expense) variance of $1.6 million is attributed to the following: a $4.5 million decrease in state and local operating assistance due to lower than expected taxable sales, particularly taxable diesel sales, and the unavailability of reimbursement for Low Carbon Transit Operator Program (LCTOP) funding for Southline Phase 2 extension operational costs for FY2016; a $2.1 million increase in federal operating assistance is due to the use of Congestion Mitigation and Air Quality funds in lieu of the non-reimbursable FY2016 LCTOP funds and the availability of additional preventive maintenance funds; a $1.1 million favorable variance in commercial income due to the sale of carbon credits and the receipt CNG excise tax credits.

Operating Results

The District concluded FY2016 with an operating decrease in net position of $1.1 million. After accounting for the $1.2 million reclassification of prior years' STA funds from capital revenue to operating revenue and the $3.1 million reserve at the end of FY2015, the District ended the year with an available reserve of $3.2 million.

Staff Recommendation

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

- Fiscal Year 2016 Statement of Revenue and Expense per Funding Designations – Attachment 1
- Fiscal Year 2016 Statement of Revenue and Expenses, Operating Budget to Actual Expenses – Attachment 2
- The Comprehensive Annual Financial Report (CAFR) – Attachment 3
- Reports Required by Uniform Guidance and Transportation Development Act (TDA) – Attachment 4
- Report to the Board of Directors – Attachment 5

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
22	12/12/16	Open	Action	12/05/16

Subject:	Receive and File the Comprehensive Annual Financial Report and Use the Reserve for Fiscal Year June 30, 2016 Decrease in Net Position

- Management Letter – Attachment 6

Staff recommends that the Board receive and file the comprehensive annual financial reports as listed; designate **$1,166,165** of reclassified STA funds to the District's operating reserve; and authorize the use of **$1,095,319** in operating reserve funds against the reserve for the Fiscal Year ended June 30, 2016. Authorizing the use of $1,095,319 from the reserve account requires a two-thirds vote of the Board.

Attachment 1

Fiscal Year 2016
Statement of Revenues and Expenses
Per Funding Designation

Statement of Revenues and Expenses	FY 2016 Funding Designation			
	Operations	GASB	Capital Improvement Program	Total
OPERATING REVENUES (Fares)	**$ 28,055,804**	**$ -**	**$ -**	**$ 28,055,804**
OPERATING EXPENSES				
Labor and Fringe Benefits	102,769,151	(3,076,941)	-	99,692,210
Professional and Other Services	28,444,443		887,070	29,331,513
Spare Parts and Supplies	7,823,504		702,510	8,526,014
Utilities	6,288,167		-	6,288,167
Casualty and Liability Costs	7,159,561		-	7,159,561
Depreciation and Amortization	-		39,924,912	39,924,912
Indirect Costs Allocated to Capital Programs	(1,038,323)		-	(1,038,323)
Other	1,384,437		50,000	1,434,437
Total Operating Expenses	**$ 152,830,940**	**$ (3,076,941)**	**$ 41,564,492**	**$ 191,318,491**
Loss from Operations	**(124,775,136)**	**3,076,941**	**(41,564,492)**	**(163,262,687)**
NON-OPERATING REVENUES (EXPENSES)				
Operating Assistance				
State and Local	78,492,879		3,025,143	81,518,022
Federal	34,097,207		2,058,551	36,155,758
Investment Income	2,002,738		125,827	2,128,565
Interest Expense	(2,244,078)		(1,431,008)	(3,675,086)
Pass Through to Subrecipients	-		(2,029,522)	(2,029,522)
Contract Services	6,109,926		-	6,109,926
Other	5,221,145		104,282	5,325,427
Total Non-operating Revenues (Expense)	**$ 123,679,817**	**$ -**	**$ 1,853,273**	**$ 125,533,090**
Increase (Decrease) in Net Position Before Capital Contributions	**(1,095,319)**	**3,076,941**	**(39,711,219)**	**(37,729,597)**
Capital Contributions				
State and Local	-		18,376,039	18,376,039
Federal	-		30,077,779	30,077,779
Increase (Decrease) in Net Position	**$ (1,095,319)**	**$ 3,076,941**	**$ 8,742,599**	**$ 10,724,221**

Reserve	
FY2015 Operating Reserve	$ 3,115,950
Reclassification of Prior Year STA Capital Funding to Operating	1,166,165
Decrease in Net Position FY2016	(1,095,319)
Total Remaining Operating Reserve June 30, 2016	**$ 3,186,796**

Attachment 2

Fiscal Year 2016

Statement of Revenues and Expenses

Operating Budget to Actual Expenses

	FY 2016 Budget to Actual Expenses			
Statement of Revenues and Expenses	Approved Budget	Adjusted Operating Results	Variance (Unfavorable)/ Favorable	Percent Variance
OPERATING REVENUES				
Fares	**$ 29,953,414**	**$ 28,055,804**	**$ (1,897,610)**	**-6.3%**
OPERATING EXPENSES				
Labor and Fringe Benefits	100,100,362	102,769,151	(2,668,789)	-2.7%
Professional and Other Services	28,472,449	28,444,443	28,006	0.1%
Spare Parts and Supplies	9,803,973	7,823,504	1,980,469	20.2%
Utilities	6,434,400	6,288,167	146,233	2.3%
Casualty and Liability Costs	9,778,687	7,159,561	2,619,126	26.8%
Depreciation and Amortization	-	-	-	
Indirect Costs Allocated to Capital Programs	(957,187)	(1,038,323)	81,136	-8.5%
Other	1,561,310	1,384,437	176,873	11.3%
Total Operating Expenses	**$ 155,193,994**	**$ 152,830,940**	**$ 2,363,054**	**1.5%**
(Loss) Income from Operations	**(125,240,580)**	**(124,775,136)**	**465,444**	**-0.4%**
NON-OPERATING REVENUES (EXPENSES)				
Operating Assistance				
State and Local	82,968,584	78,492,879	(4,475,705)	-5.4%
Federal	32,031,966	34,097,207	2,065,241	6.4%
Investment Income	1,991,162	2,002,738	11,576	0.6%
Interest Expense	(2,203,162)	(2,244,078)	(40,916)	1.9%
Contracted Services	6,443,738	6,109,926	(333,812)	-5.2%
Advertising	685,000	528,545	(156,455)	-22.8%
Commercial Income/Other	3,323,292	4,692,600	1,369,308	41.2%
Total Non-operating Revenues (Exp)	**$ 125,240,580**	**$ 123,679,817**	**$ (1,560,763)**	**-1.2%**
Net Decrease in Position	**-**	**(1,095,319)**	-	**-**
Change in Operating Reserve	**$ -**	**$ (1,095,319)**	**$ -**	**-**

Attachment 3

Sacramento Regional Transit District

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

Regional Transit

1400 29th Street
P.O. Box 2110
Sacramento, CA 95812-2110

916-321-2800 • sacrt.com

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

Regional Transit

Sacramento Regional Transit District

Prepared by the Finance Division

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Introductory Section

Regional Transit

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

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

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

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

Public Transit Since 1973

www.sacrt.com

December 12, 2016

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 Uniform Guidance 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 within 6 months of the close of each fiscal year. Pursuant to that requirement, the District hereby issues the Comprehensive Annual Financial Report (CAFR) of the District for the fiscal year ended June 30, 2016.

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 Crowe Horwath, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the District's financial statements for the fiscal year ended June 30, 2016, 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 year ended June 30, 2016, 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 Crowe Horwath LLP.

Profile of the District

The District began operation on April 1, 1973, with the acquisition of the Sacramento Transit Authority. The District is the largest public transportation provider in the Sacramento region, serving a metropolitan population of over 1.7 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 for, among other things, 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 24 million passengers in fiscal year ended June 30, 2016. 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.

The District’s GM/CEO presents a 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), division and department (e.g., safety) or by capital project. The legal level of control is at the fund level, where 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 bus and light rail service.

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 2016 was 5.2 percent down from 5.6 percent in 2015. The Sacramento region is expected to see the unemployment rate stabilize near this level for the next two years.

Residential construction, as measured by building permits, continued its upward trend increasing in 2016 and is projected to increase slightly higher over the next years as regional job creation and personal income growth remain modest. Single family residential starts are 25 percent of their 2005 levels.

A significant portion of the District's operating funds are derived from sales tax revenues. In 2016 taxable sales in the Sacramento region rose resulting in an increase of 5.6 percent in the Local Transportation Fund and a 4.1 percent in Measure A Revenue. It is estimated that taxable sales in 2017 will increase approximately 4 percent resulting in a similar increase in the Local Transportation Fund and Measure A Revenue.

An improved Sacramento housing market; development and revitalization of downtown Sacramento, which includes the new Golden 1 Center and K Street; revitalization of the R Street Corridor; and region-wide job creation are all positive signs for continued economic improvement and consumer spending in the region.

Major Initiatives

System-wide Improvement Initiatives

The District convened 12 members of the downtown Sacramento business community (Business Advisory Panel) in September 2014 to evaluate transit service provided by the District as it relates to serving and attracting riders to major venues and destinations in downtown Sacramento. As a result of the Business Advisory Panel's recommendations, the District's Board formed the Ad Hoc System Improvement Committee to assist in and help improve the District's bus and light rail system countywide.

The first Ad Hoc System Improvement Committee meeting was held on February 25, 2015. During that meeting, the Committee formed four working groups to address specific subject areas of District service: Security and Fare Evasion; Light Rail Stations, Bus Stops, Shelters and Benches; Rolling Stock, Light Rail Vehicles and Buses; and Customer Communication and Entertainment and Sports Center Operations Plan. In addition, the Board approved a Capital Projects Improvement Plan whereby $6.7 million can be spent on light rail station enhancements. As part of the immediate turnaround strategy, the District's Board of Directors conducted a nationwide search to find a General

Manager/CEO to lead the District. At that time, Henry Li, was announced as the new General Manager/CEO effective July 1, 2016.

With the recent changes in leadership, the District has made significant and positive transformations. With broad and deep organizational reforms, it is becoming more than a transportation option, but rather a transportation choice for riders in the Sacramento region by building effective partnerships throughout the community, inspiring District employees to journey for excellence, striving for organizational efficiency, and ensuring performance excellence through the implementation of fiscal policies and strict accountability. Beginning with five strategic initiatives for fiscal year 2017, the District is poised to change how it operates internally and externally to become a world-class regional transit provider.

I. Transit Service Delivery is focused on improving cleanliness, safety, security and on-time performance. To immediately improve the District's services, 41 front line employees were hired to clean light rail trains and stations every night and mid-days, and conduct fare inspections on almost all riders. In the meantime, the District is relentlessly seeking organizational efficiency.

II. Golden 1 Center Service: Successfully serving the Sacramento's new downtown entertainment and sports center is a rare opportunity for the District to show the region the convenience and the value of public transit and to build up new ridership. The District is focusing on every minor detail and proactively focused on increasing ridership.

III. Internal and External Communication is a high priority in this new era of the District. Honesty and transparency at all levels will move the District forward quickly to build stronger partnerships with all regional stakeholders.

IV. Accountability and Performance Management are key to making excellence the new "normal" for the District. Comprehensive performance metrics were developed in all crucial areas. The District's management believes great things get accomplished through the perfection of minor details and strict accountability, by holding ourselves accountable on everything the District does.

V. Fiscal Management and Innovative Funding will be the foundation on which the future of the District will be built. The District is building a fiscally stable public agency by creatively looking for additional funding sources and relentlessly implementing cost cutting measures. In fiscal year 2016, the Board approved an updated Comprehensive Reserve Policy, a Fiscal Sustainability Policy, a Farebox Recovery Policy and a Fare Change Policy. With these policies serving as the framework, the Board approved its first fare increase in seven years. This increase commenced in July 2016 and applied to all fare types. While acknowledging that the community expects improved service quality, security and cleanliness, the District implemented this fare increase to balance its budget and gradually build reserves. As expected, the overall impact is trending positive as farebox revenues have increased YTD by over 7.2 percent and are exceeding budgeted levels by approximately 3.2 percent. As anticipated with any across the board fare increases, the District has experienced deflection as a result; however, this deflection is in line with original expectations.

A world class city requires a first-class transit system to provide the best possible transit services to existing and future residents, and visitors; drive regional economic growth; and enhance the quality of life for all residents in the Greater Sacramento region.

System-wide improvement initiative projects that have begun or are in the process of beginning are as follows:

Mobile Applications
To improve the customer experience, the District found a more convenient way for customers to purchase fares, and also provided an added level of security through the implementation of two new mobile applications: RideSacRT, activated in January 2016, is a mobile fare app offering customers a quick and easy way to purchase fares on the go, and Alert SacRT, activated in July 2016, provides customers an anonymous way to report safety concerns or nuisance behavior. Both apps have seen successful results and increased interest.

Station Link
In an effort to encourage transit ridership, the District launched an innovative and economical program called RT Station Link. Under the Station Link program, passengers who take Uber, Lyft or Yellow Cab to or from any of the District's six key light rail stations will receive up to $5 off their ride, up to 10 rides, courtesy of RT.

The six-month pilot program started in October 2016. Initially, the program is limited to five key light rail stations. This transportation collaboration was executed and funded in partnership by the District and a grant from SACOG and the Sacramento Metropolitan Air Quality Management District and demonstrates the District's commitment to public/private partnerships.

Regional Smart Card
The District, along with the Sacramento Area Council of Governments and eight other transit agencies have embarked on a smart card based regional transit fare payment system named "Connect 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, an improvement to ridership counts and improved service quality. Much progress on the project was made throughout 2016 by testing light rail stations and buses with new equipment and prototype testing of the smart card systems. Live operations, are not set at this point but are projected to occur in 2017.

7th & Capitol Light Rail Station
The District upgraded the 7th & Capitol light rail station, which is the flagship station for Golden 1 Center service, located less than one block away. Other improvements included the 8th & K and 9th & K light rail stations, which feature new shelters, improved lighting and additional wayfinding signage.

Downtown/Riverfront Streetcar
The District, acting as a technical advisor and technical arm, will be assisting in grant applications along with Sacramento Area Council of Governments, the cities of Sacramento and West Sacramento and with the Yolo County Transit District (YCTD), who are currently working on the planning and development of a future streetcar project that would link midtown, downtown Sacramento, the Bridge District and the City Hall complex in West Sacramento. In February 2016, the Downtown/Riverfront Streetcar project was included in the Obama Administration's proposed budget for federal Fiscal Year 2017. If approved by Congress the Small Starts Federal Transit Administration grant would provide 50% of the funding for the $200 million project. In August 2016, the California State Transportation Agency announced a $30 million grant from state cap-and-trade funds.

Nationally, streetcar projects have demonstrated economic benefits and pedestrian mobility improvements; and will provide similar benefits for local urban areas like Sacramento. The streetcar project was presented to the registered voters in Sacramento's project area in November 2016 to determine whether funding for the project will be approved through an assessment of those properties. The results of the vote fell below the 67 percent margin that was needed to pass. The District will submit to the Federal Transit Administration (FTA) a Small Starts request in December 2016 for the streetcar project.

Green Line to the Airport

The Green Line to the Airport light rail extension project is the continuation of the Green Line to the River District (GL-1) across the American River and through the Natomas communities to the Sacramento International Airport.

This major light rail infrastructure project, with many planned components, proposes to add approximately 13 miles of track: 13 light rail stations, including seven with park-and-ride lots; a bridge crossing the American River; and a light duty maintenance facility. The funded scope is limited to the Alternatives Analysis (Complete), the Draft Environmental Impact Statement/Environmental Impact Report (DEIS/EIR) estimated to be completed by fall 2017 and advanced conceptual engineering of key areas along the remaining portion of the corridor.

The project's current focus is on the Sacramento Valley Station loop, which will be built to accommodate operations for the Green Line to the Airport and the Downtown/Riverfront streetcar projects. The loop is also expected to serve the Sacramento Railyards development, and is scheduled to be complete in 2018.

Bus Replacement

The District received delivery of 33 new GILLIG 40' BRTPlus Compressed Natural Gas (CNG) buses and 11 new El Dorado 27' buses in fiscal year 2016. The GILLIG buses are equipped with new fare boxes that have the ability to disperse limited use smart cards, which will complement the Connect Card program. This was the second delivery out of the 96 new GILLIG 40' buses to be procured through September 2016 to replace the District's aging fleet.

Additionally, all fare boxes are scheduled for replacement on all buses by 2017.

Light Rail Vehicle Retrofit

The District increased light rail system capacity when 11 of the 21 light rail vehicles acquired from the Santa Clara Valley Transportation Authority were placed in service in September 2015. The remaining 10 vehicles are expected to be refurbished and operating by January 2017 to complete the modification project.

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 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.

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 85.

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, 2015 and 2014. 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 Paul Selenis, Accounting Manager; Jamie Adelman, Senior Accountant; Nadia Mokhov, Senior Financial Analyst; and Jessica Shevlin, Senior Administrative Assistant.

Henry Li
General Manager/CEO

Brent Bernegger
Chief Financial Officer, Acting

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, 2015

Executive Director/CEO

SACRAMENTO REGIONAL TRANSIT DISTRICT
LIST OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2016

Board of Directors

Jay Schenirer, City of Sacramento, **Chair**
Andy Morin, City of Folsom, **Vice Chair**
Linda Budge, City of Rancho Cordova
Steve Hansen, City of Sacramento
Steve Harris, City of Sacramento
Pat Hume, City of Elk Grove
Rick Jennings, II, City of Sacramento
Roberta MacGlashan, County of Sacramento
Steve Miller, City of Citrus Heights
Don Nottoli, County of Sacramento
Phil Serna, County of Sacramento

Board of Directors Alternates

Steven Detrick, City of Elk Grove
Jeff Slowey, City of Citrus Heights
David Sander, City of Rancho Cordova

General Manager/CEO

Michael R. Wiley

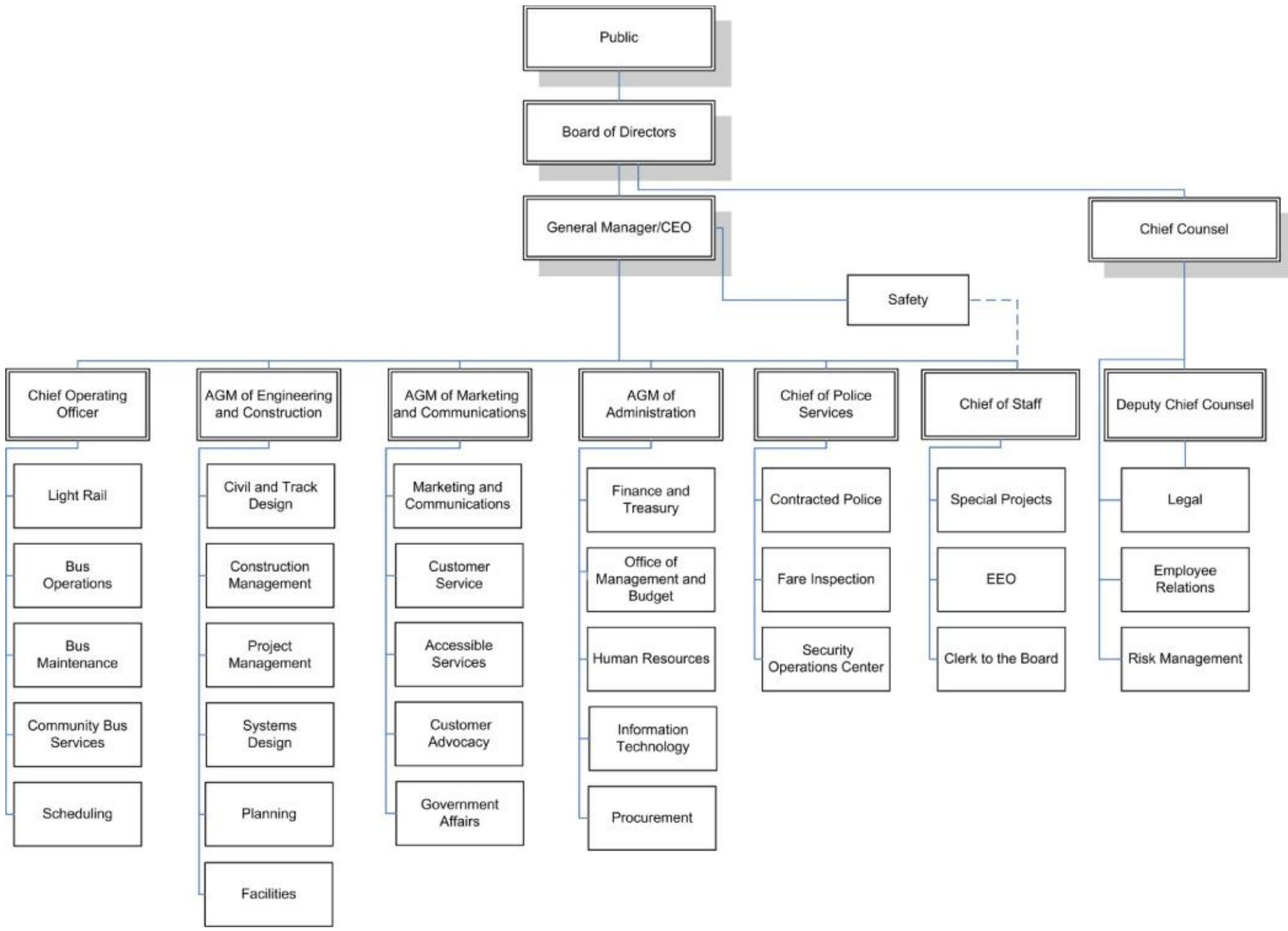
Chief Counsel

Tim Spangler

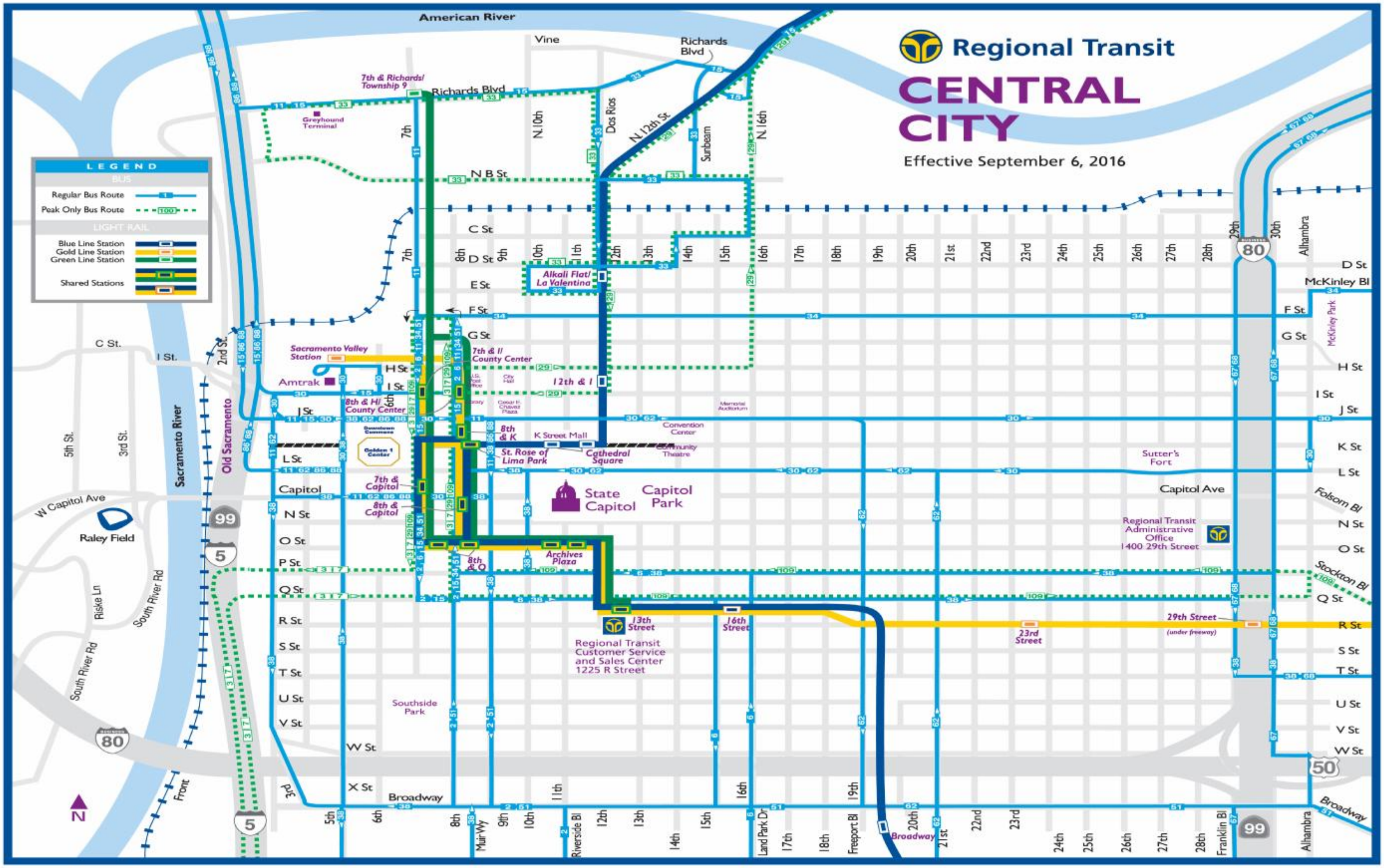
Executive Management Team

Brent Bernegger, Chief Financial Officer, Acting
Laura Ham, Chief of Staff
Norm Leong, Chief of Police Services
Henry Li, Assistant General Manager of Administration
Mark Lonergan, Chief Operating Officer
Alane Masui, Assistant General Manager of Marketing and Communications
Diane Nakano, Assistant General Manager of Engineering and Construction
Olga Sanchez-Ochoa, Deputy Chief Counsel

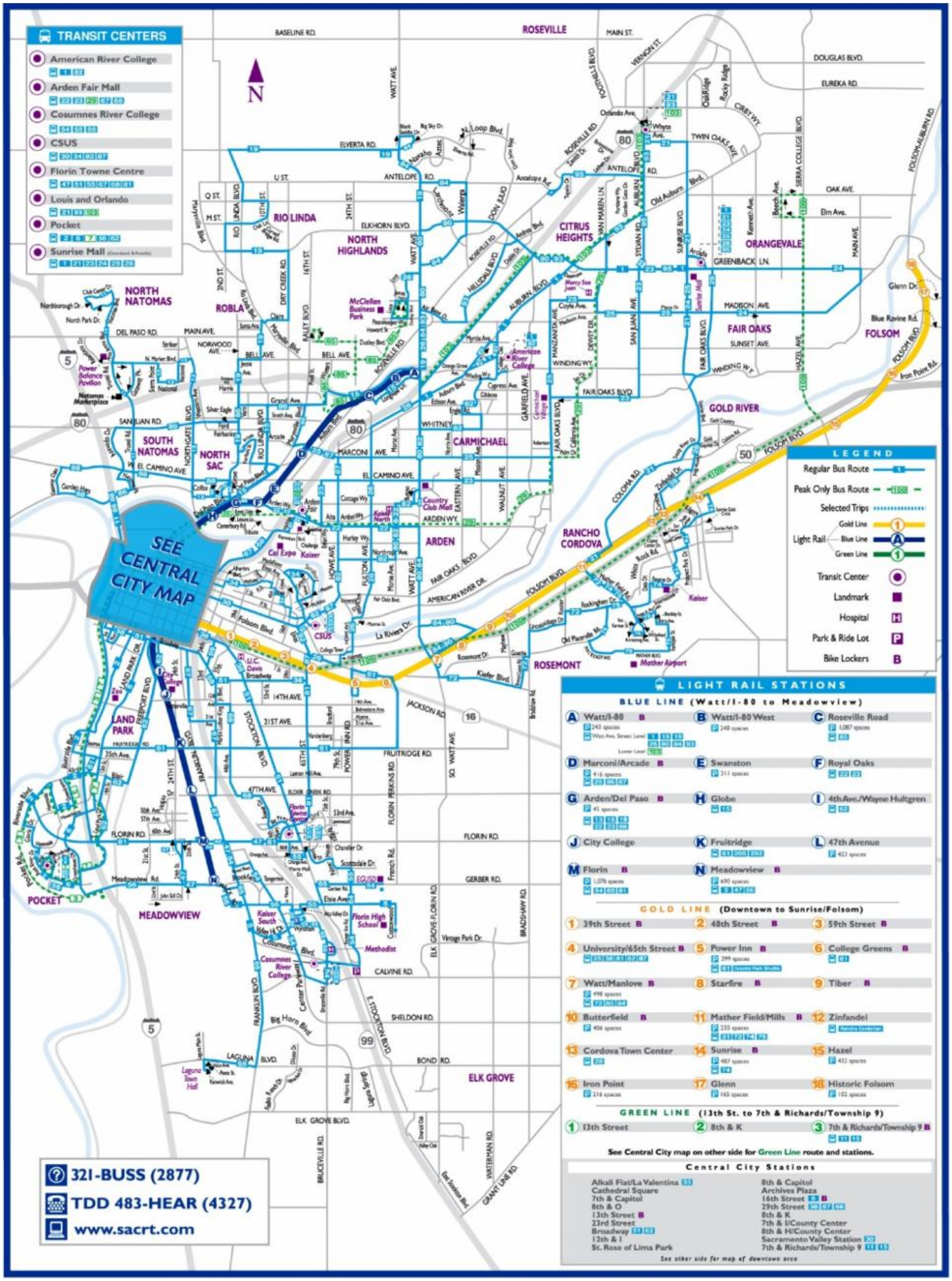
SACRAMENTO REGIONAL TRANSIT DISTRICT
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2016



SACRAMENTO REGIONAL TRANSIT DISTRICT
SERVICE AREA MAP



SACRAMENTO REGIONAL TRANSIT DISTRICT
SERVICE AREA MAP



Financial Section

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 the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the Sacramento Regional Transit District (the District), as of and for the year ended June 30, 2016, 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.

Auditors' Responsibility

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

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

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

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 fiduciary activities of the District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, and the schedule of changes in the net pension liability and related ratios, the schedule of District contributions, and the OPEB schedule of funding progress, reflected on pages 69 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary 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 accompanying introductory section, combining schedule of fiduciary net position, combining schedule of changes in fiduciary net position, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated November 16, 2016 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 18, 2016

Management Discussion & Analysis

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 year ended June 30, 2016. 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2016 by $830,205,246 (net position). Of this amount $1,830,579 is restricted for debt service, $878,848,516 is net investment in capital assets, and $(50,473,849) is unrestricted.

- The District's total net position increased for the year ended June 30, 2016 by 1.3 percent, or $10,724,221 compared to the year ended June 30, 2015. The increase is primarily the result of capital contributions related to the District's South Line Phase 2 extension project which went into revenue service in August 2015, the delivery of 33 new Gillig 40' buses and 11 new El Dorado 27' buses and refurbished work on the District's UTDC light rail fleet, 11 of which were placed in service during the fiscal year.

- The District's total liabilities and deferred inflows of resources decreased by $8,147,365 for the fiscal year ended June 30, 2016 The net decrease is comprised of the following: reduced accrued liabilities relating to the South Line Phase 2 expansion project, advances from other governments as funds were consumed to acquire buses and refurbish light rail vehicles and deferred pension inflows, as well as, an increase in both line of credit borrowing due to the timing of the receipt of operating assistance and pension liability resulting from performance and changes in actuarial assumptions.

- During the fiscal year ended June 30, 2016, fare revenue decreased by $340,298 or 1.2 percent from the fiscal year ended June 30, 2015. This decrease is attributed to a decline in ridership, which was partially mitigated by an amended Los Rios Student Transit Pass Agreement. Non-operating revenue increased by $6,124,594 or 4.9 percent in fiscal year 2016 primarily due to new Congestion Mitigation and Air Quality (CMAQ) funds to operate the South Line Phase 2 expansion and increased participation in carbon credit programs. The CMAQ funds will be available for fiscal years through 2018.

- Total operating costs increased by $11,868,257 or 6.6 percent for the fiscal year ended June 30, 2016. The increase is due to a rise in labor costs resulting from contractual rate escalation, pension and other post-retirement benefits, purchased transportation and depreciation as the South Line Phase 2 extension was place in service. These increases were partially mitigated by decreases in spare parts and supplies due to a newer bus fleet and lower fuel costs as well as a reduction in workers' compensation costs.

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 statement of net position present information on all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the fiscal year ended June 30, 2016. 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 and deferred outflows exceeded liabilities and deferred inflows by $830,205,246.

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 expanded its light rail system.

The District's negative unrestricted net asset position is attributed to recording its pension liability per GASB Statement No. 68.

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

SACRAMENTO REGIONAL TRANSIT DISTRICT
NET POSITION

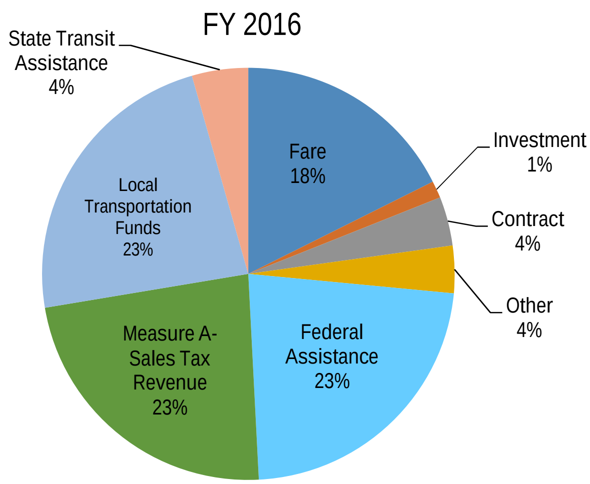
	June 30, 2016	June 30, 2015	Increase or (Decrease) Dollar	Percent
Capital Assets	$ 953,715,161	$ 935,364,599	$18,350,562	2.0%
Current and Other Assets	206,001,836	224,072,414	(18,070,578)	(8.1%)
Total Assets	1,159,716,997	1,159,437,013	279,984	0.0%
Deferred Outflows	19,975,800	17,678,928	2,296,872	13.0%
Current Liabilities	78,257,355	78,438,068	(180,713)	(0.2%)
Non-Current Liabilities	260,631,589	258,532,589	2,099,000	0.8%
Total Liabilities	338,888,944	336,970,657	1,918,287	0.6%
Deferred Inflows	10,598,607	20,664,259	(10,065,652)	(48.7%)
Net Position				
Net Investment in Capital Assets	878,848,516	864,159,636	10,162,734	1.2%
Restricted for:				
Capital Projects	-	1,750,973	(1,750,973)	(100.0%)
Debt Service	1,830,579	1,829,313	1,266	0.1%
Unrestricted	(50,473,849)	(48,258,897)	2,311,194	(4.8%)
Total Net Position	$ 830,205,246	$ 819,481,025	$10,724,221	1.3%

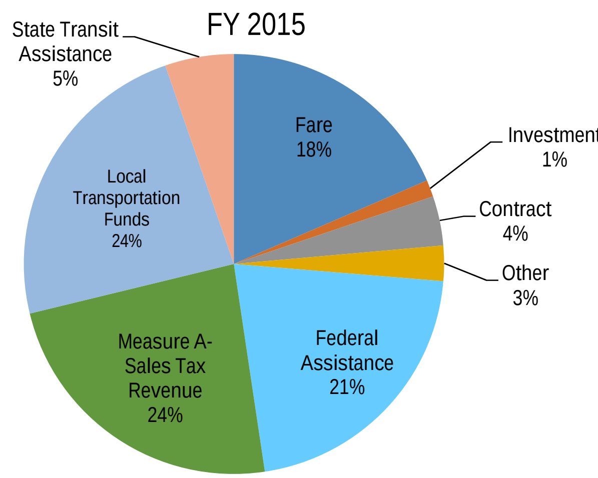
SACRAMENTO REGIONAL TRANSIT DISTRICT
REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	June 30, 2016	June 30, 2015	Increase or (Decrease) Dollar	Percent
Operating Revenues:				
Fares	$ 28,055,804	$ 28,396,102	$ (340,298)	(1.2%)
Non-Operating Revenues:				
Operating Assistance	117,673,780	113,113,971	4,559,809	4.0%
Investment Income	2,128,565	1,996,201	132,364	6.6%
Other Revenue	11,435,353	10,002,932	1,432,421	14.3%
Total Operating and Non-Operating Revenue:	159,293,502	153,509,206	5,784,296	3.8%
Operating and Non-Operating Expenses:				
Labor & Fringe Benefits	99,692,210	93,181,655	6,510,555	7.0%
Professional & Other Services	29,331,513	27,533,030	1,798,483	6.5%
Spare Parts & Supplies	8,526,014	10,549,140	(2,023,126)	(19.2%)
Utilities	6,288,167	5,815,563	472,604	8.1%
Casualty & Liability Costs	7,159,561	7,905,996	(746,435)	(9.4%)
Depreciation & Amortization	39,924,912	34,127,712	5,797,200	17.0%
Other	1,434,437	1,541,186	(106,749)	(6.9%)
Indirect Costs Allocated to Capital Programs	(1,038,323)	(1,204,048)	165,725	(13.8%)
Interest Expense	3,675,086	2,982,389	692,697	23.2%
Pass through to Subrecipients	2,029,522	2,933,400	(903,878)	(30.8%)
Total Operating and Non-Operating Expenses:	197,023,099	185,366,023	11,657,076	6.3%
Loss Before Capital Contributions	(37,729,597)	(31,856,817)	(5,872,780)	18.4%
Capital Contributions:			-	
State and Local	18,376,039	25,635,163	(7,259,124)	(28.3%)
Federal	30,077,779	74,926,092	(44,848,313)	(59.9%)
Increase in Net Position	10,724,221	68,704,438	(57,980,217)	(84.4%)
Net Position, beginning of year	819,481,025	833,231,682	(13,750,657)	(1.7%)
Cumulative effect of GASB Statement no. 68 Implementation	-	(82,455,095)		
Net Position, beginning of year (restated)	-	750,776,587		
Net Position, end of year	$ 830,205,246	$ 819,481,025	10,724,221	1.3%

SACRAMENTO REGIONAL TRANSIT DISTRICT
REVENUES BY SOURCE

Operating Revenue by Source



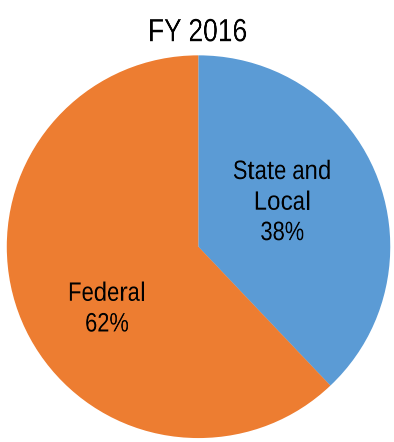


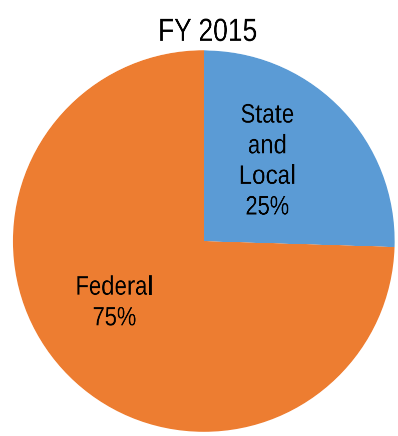
The significant changes in Revenue Services are described below:

Fares, investment income, contracted services, and other revenue increased by a combined $1,224,487 for the fiscal year ended June 30, 2016 or 3.0 percent. The revenue increase is primarily due to the sale of carbon credits.

Operating assistance increased by $4,559,809 or 4.0 percent for the fiscal year ended June 30, 2016 which is primarily due to new Congestion Mitigation and Air Quality funds to operate the South Line Phase 2 expansion. These funds are available through 2018.

Capital Revenue by Source

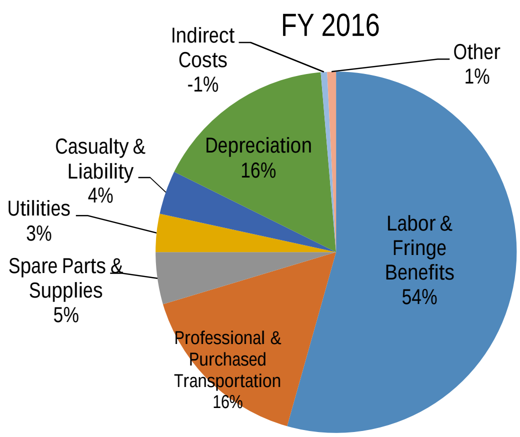


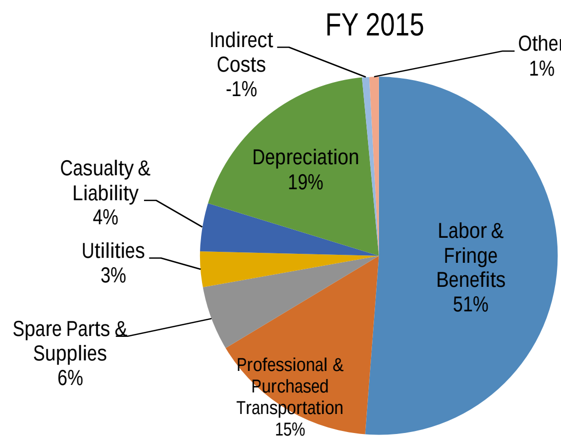


The majority of construction and acquisition activities are funded with capital contributions from other governmental units such as federal, state, and local agencies. Capital contributions decreased by $58.0 million or 84.4 percent during the fiscal year ended June 30, 2016. The decrease for the fiscal year ended June 30, 2016 is the result of lower contributions as the South Line Phase 2 light rail extension went into service in August 2015.

SACRAMENTO REGIONAL TRANSIT DISTRICT
OPERATING EXPENSES

Expenses by Source





The significant changes in Revenue Services are described below:

Total operating costs increased by $11,868,257 or 6.6 percent for the fiscal year ended June 30, 2016. The increase is due to a rise in labor costs resulting from contractual rate escalation, fewer labor hours charged to capital projects, pension and other post-retirement benefits, purchased transportation and depreciation. These increases were partially mitigated by decreases in spare parts and supplies due to a newer bus fleet, lower fuel costs as well as a reduction in workers' compensation costs.

SACRAMENTO REGIONAL TRANSIT DISTRICT
FISCAL YEAR 2016
STATEMENT OF REVENUES AND EXPENSES BY FUNDING DESIGNATION

Statement of Revenues and Expenses	FY 2016 Funding Designation: Operations	Capital Improvement Program and GASB	Total
OPERATING REVENUES (Fares)	**$ 28,055,804**	**$ -**	**$ 28,055,804**
OPERATING EXPENSES			
Labor and Fringe Benefits	102,769,151	(3,076,941)	99,692,210
Professional and Other Services	28,444,443	887,070	29,331,513
Spare Parts and Supplies	7,823,504	702,510	8,526,014
Utilities	6,288,167	-	6,288,167
Casualty and Liability Costs	7,159,561	-	7,159,561
Depreciation and Amortization	-	39,924,912	39,924,912
Indirect Costs Allocated to Capital Programs	(1,038,323)	-	(1,038,323)
Other	1,384,437	50,000	1,434,437
Total Operating Expenses	**152,830,940**	**38,487,551**	**191,318,491**
Loss from Operations	**(124,775,136)**	**(38,487,551)**	**(163,262,687)**
NON-OPERATING REVENUES (EXPENSES)			
Operating Assistance			
State and Local	78,492,879	3,025,143	81,518,022
Federal	34,097,207	2,058,551	36,155,758
Investment Income	2,002,738	125,827	2,128,565
Interest Expense	(2,244,078)	(1,431,008)	(3,675,086)
Pass Through to Subrecipients	-	(2,029,522)	(2,029,522)
Contract Services	6,109,926	-	6,109,926
Other	5,221,145	104,282	5,325,427
Total Non-operating Revenues (Expense)	**123,679,817**	**1,853,273**	**125,533,090**
(Decrease) in Net Position Before Capital Contributions	**(1,095,319)**	**(36,634,278)**	**(37,729,597)**
Capital Contributions			
State and Local	-	18,376,039	18,376,039
Federal	-	30,077,779	30,077,779
Increase (Decrease) in Net Position	**$ (1,095,319)**	**$ 11,819,540**	**$ 10,724,221**

The Comprehensive Annual Financial Report ("CAFR") presentation differs from the District's operating and capital budgets in that the CAFR combines both operating and capital activities. To assist the District's Board and readers in their review, a Statement of Revenues and Expenses By Funding Designation is provided to show the District's operating and capital funds separately. As of June 30, 2016, the District's operating results were as follows: $28,055,804 in fare revenues, $152,830,940 in operating expenses, and $123,679,817 in non-operating revenues, resulting in a $1,095,319 operating loss. Additional information regarding the Operating Statement can be found in the District's 2016 CAFR Issue Paper.

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, 2016 of $(50,473,849), a decrease of $2,214,952, or 4.6 percent.

Capital Asset and Debt Activity

As of June 30, 2016, the District's investment in various capital assets, such as bus and light rail vehicles, facilities, land, buildings and equipment increased to $953,715,161 from $935,364,599 representing a 2.0 percent increase. The most significant addition to the District's capital costs is related to construction on the South Line Phase 2 light rail extension project which went into service in August of 2015 and the acquisition of new buses. Additional information on the capital assets can be found in Footnote 3 to the financial statements.

The District's Farebox Revenue Bonds decreased by $1,813,851 for the fiscal year ended June 30, 2016 or 2.0 percent. This debt represents $86,865,000 of Farebox Revenue Bonds, Series 2012, issued in the fiscal year 2013 to primarily fund construction on the South Line Phase 2 light rail extension. The District recorded a liability and a corresponding asset of $38,752,526 as of June 30, 2016, resulting from its participation in three Lease/Leaseback transactions. Additional information on debt activity can be found in Footnotes 5 and 6 to the financial statements.

The District's loan payable at June 30, 2016 includes $13,988,074 received in November 2013 from the Public Transportation Account (PTA). The loan was extended by the State to temporarily replace a Federal Transit Administration grant that lapsed due to the application of the Federal Transit Act's "13(c)" provision to the California Public Employee Pension Reform Act of 2013 (PEPRA). Additional information on long-term debt can be found in Footnote 6 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, 2016, the District has construction contracts and property acquisition commitments of approximately $47,492,597.

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.

Financial Statements

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
JUNE 30, 2016

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	5,858,484
Restricted Cash and Cash Equivalents		49,324,838
Investments		326,354
Receivables:		
State and Local Government		11,636,852
Federal Government		48,028,686
Other		6,304,689
Spare Parts and Supplies Inventory		20,755,816
Other Current Assets		58,749
Total Current Assets		142,294,468
Non-Current Assets:		
Restricted Cash and Cash Equivalents		22,084,427
Investments		2,870,415
Deposits for Lease/Leaseback Payable		38,752,526
Non-Depreciated Capital Assets		133,857,104
Depreciated Capital Assets, Net		819,858,057
Total Non-Current Assets		1,017,422,529
Total Assets		1,159,716,997
DEFERRED OUTFLOWS		
Deferred Outflows from Pension		19,975,800
TOTAL ASSETS AND DEFERRED OUTFLOWS FROM PENSION	$	1,179,692,797

See accompanying notes to the financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION – BUSINESS TYPE ACTIVITIES - CONTINUED
ENTERPRISE FUND
JUNE 30, 2016

LIABILITIES	
Current Liabilities:	
Line of Credit	$ 27,000,000
Accounts Payable	11,208,479
Other Accrued Liabilities	3,612,101
Compensated Absences	7,428,846
Interest Payable	1,446,916
Unearned Revenue	976,565
Advances from Other Governments	16,205,749
Claims Payable	3,973,703
Revenue Bonds	1,878,851
Retention Payable	4,526,145
Total Current Liabilities	78,257,355
Long-Term Liabilities:	
Compensated Absences	2,620,285
Advances from Other Governments	11,724,073
Claims Payable	15,897,636
Revenue Bonds	85,235,080
Loan Payable	13,988,074
Lease/Leaseback Payable	38,752,526
Net Pension Liability	92,413,915
Total Long-Term Liabilities	260,631,589
Total Liabilities	338,888,944
DEFERRED INFLOWS OF RESOURCES	
Deferred Gain on Lease/Leaseback	7,765,612
Deferred Inflows from Pension	2,832,995
Total Deferred Inflows of Resources	10,598,607
NET POSITION	
Net Investment in Capital Assets	878,848,516
Restricted for Debt Service	1,830,579
Unrestricted	(50,473,849)
Total Net Position	830,205,246
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 1,179,692,797

See accompanying notes to the financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –-BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
Fares	$ 28,055,804
OPERATING EXPENSES	
Labor and Fringe Benefits	99,692,210
Professional and Other Services	29,331,513
Spare Parts and Supplies	8,526,014
Utilities	6,288,167
Casualty and Liability Costs	7,159,561
Depreciation	39,924,912
Indirect Costs Allocated to Capital Programs	(1,038,323)
Other	1,434,437
Total Operating Expenses	191,318,491
Operating Loss	(163,262,687)
NON-OPERATING REVENUES (EXPENSES)	
Operating Assistance:	
State and Local	81,518,022
Federal	36,155,758
Investment Income	2,128,565
Interest Expense	(3,675,086)
Pass-Through to Subrecipients	(2,029,522)
Contract Services	6,109,926
Other	5,325,427
Total Non-Operating Revenues	125,533,090
Loss Before Capital Contributions	(37,729,597)
Capital Contributions:	
State and Local	18,376,039
Federal	30,077,779
Increase in Net Position	10,724,221
Net Position, beginning of year	819,481,025
Net Position, end of year	$ 830,205,246

See accompanying notes to the financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF CASH FLOWS – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 26,905,393
Cash Received from Contract Sources	6,109,926
Cash Paid to Suppliers	(56,754,404)
Cash Paid to Employees	(102,194,385)
Cash Received from Other Sources	5,325,427
Net Cash Used in Operating Activities	(120,608,043)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and Local Receipts	77,705,439
Federal Receipts	33,855,143
Payments Pass-Through to Subrecipients	(2,029,522)
Advances on the Line of Credit	53,450,000
Payments on the Line of Credit	(44,550,000)
Net Cash Provided by Noncapital Financing Activities	118,431,060
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(62,591,772)
Principal Payments on Revenue Bonds	(1,530,000)
Interest Paid	(4,254,699)
Proceeds from Sale of Capital Assets Receipts	104,282
State and Local Capital Grants Receipts	7,905,650
Federal Capital Grants	33,951,612
Net Cash Used in Capital and Related Financing Activities	(26,414,927)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	776,205
Purchases of Investments	(828,736)
Investment Income	189,505
Net Cash Provided by Investing Activities	136,974
Net (Decrease) in Cash and Cash Equivalents	(28,454,936)
Cash and Cash Equivalents, July 1	105,722,685
Cash and Cash Equivalents, June 30	$ 77,267,749
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and Cash Equivalents	$ 5,858,484
Restricted Cash and Cash Equivalents, Current	49,324,838
Restricted Cash and Cash Equivalents, Non-Current	22,084,427
Total Cash and Cash Equivalents	$ 77,267,749

See accompanying notes to the financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF CASH FLOWS – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:

Operating Loss	$	(163,262,687)
Adjustments to Reconcile Net Loss from Operations to Net Cash Used in Operating Activities:		
Depreciation		39,924,912
Contract Services Nonoperating Income		6,109,926
Miscellaneous Nonoperating Income		5,325,427
Effect of Changes in:		
Other Receivables		(1,617,334)
Spare Parts and Supplies Inventory		(4,355,927)
Other Current Assets		84,923
Prepaid Lease		50,000
Accounts Payable and Accrued Liabilities		(1,205,133)
Compensated Absences and Other		125,542
Unearned Revenue		466,923
Reserve for Claims		822,326
Net Pension Liability and Related Deferred Inflows and Outflows		(3,076,941)
Net Cash Used in Operating Activities	$	(120,608,043)

NON-CASH INVESTING AND FINANCING ACTIVITIES

Interest Income from Investments Held to Pay Lease/Leaseback	$	1,891,162
Interest Expense on Capital Lease/Leaseback		(1,891,162)
Capitalized Assets Included in Accounts Payable and Retention Payable		7,413,748

See accompanying notes to the financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

ASSETS		
Cash and Cash Equivalents	$	6,563,559
Receivables:		
Securities Sold		3,626,074
Interest and Dividends		386,893
Other Receivables and Prepaids		192,888
Total Receivables		4,205,855
Investments:		
Equity Securities		153,773,256
Fixed Income Securities		92,433,397
Total Investments		246,206,653
Total Assets		256,976,067
LIABILITIES		
Securities Purchased Payable		12,757,470
Accounts Payable		866,558
Total Liabilities		13,624,028
NET POSITION RESTRICTED FOR PENSION BENEFITS	$	243,352,039

See accompanying notes to the financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

ADDITIONS	
Contributions:	
Employer	$ 18,024,056
Member	75,728
Total Contributions	18,099,784
Investment Income:	
Net Increase/(Decrease) in Fair Value of Investments	(4,090,359)
Interest, Dividends, and Other Income	3,635,530
Investment Expenses	(1,063,144)
Net Investment Income/(Expense)	(1,517,973)
Total Additions	16,581,811
DEDUCTIONS	
Benefits Paid to Participants	19,371,855
Administrative Expenses	560,271
Total Deductions	19,932,126
Increase/(Decrease) in Net Position	(3,350,315)
Net Position, Restricted for Pension Benefits - Beginning of Year	246,702,354
Net Position, Restricted for Pension Benefits - End of Year	$ 243,352,039

See accompanying notes to the 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 its 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 Plan) accounts for the retirement funds of members of ATU Local 256 and IBEW Local 1245.

The Salaried Employees Retirement Plan Fund (Salaried Plan) 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

Investments consist of securities or other assets that the District holds primarily for the purpose of income or profit and its present service capacity is based solely on its ability to generate cash or to be sold to generate cash.

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.

RECEIVABLES

Receivables are reported at present value less the estimated portion that is estimated to be uncollectible. As of June 30, 2016, an allowance for uncollectible accounts of $374,877 was established by management.

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. Donated capital assets are recorded at acquisition value. 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES

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

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

FEDERAL, STATE, AND LOCAL GRANT FUNDS

Grants are accounted for in accordance with the purpose for which the funds are intended. Approved grants for the acquisition of land, 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 AND CLAIMS PAYABLE

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.

PENSION

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

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

NEW PRONOUNCEMENTS

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for the District's fiscal year ended June 30, 2016. The adoption of this statement had no effect on the District's net position or changes therein but it did require additional footnote disclosures.

In December 2015, the GASB issued Statement 79, *External Investment Pools and Pools Participants.* This Statement establishes criteria that would permit a qualifying external investment pool to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool is an arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsor's reporting entity. This Statement is effective for the District's fiscal year ended June 30, 2016. The adoption of this statement had no effect on the District's net position or changes therein.

The following are the more significant future GASB that will be implemented:

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* Statement 74 addresses the financial reports of defined benefit other post-employment benefit ("OPEB") plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and Required Supplementary Information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement is effective for the District's fiscal year ended June 30, 2017. The District management has not determined what impact, if any, this statement will have on its financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the District's fiscal year ended June 30, 2018. The District management has not determined what impact, if any, this statement will have on its financial statements.

2. CASH AND INVESTMENTS

The total cash and investments as of June 30, 2016, are reported in the accompanying basic financial statements as follows:

	Enterprise Fund	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	$ 5,716,606	$ -	$ 5,716,606
Cash on hand	141,878	-	141,878
Investments	3,196,769	-	3,196,769
Total unrestricted	9,055,253	-	9,055,253
Restricted:			
Cash and cash equivalents	71,409,265	6,563,559	77,972,824
Investments	-	246,206,653	246,206,653
Total restricted	71,409,265	252,770,212	324,179,477
Total cash and investments	$ 80,464,518	$ 252,770,212	$ 333,234,730

INVESTMENTS

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

2. CASH AND INVESTMENTS (Continued)

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

Authorized Investment Type	Maximum Maturity	Minimum Rating	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	N/A	None	None
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Securities	5 years	N/A	None	None
Bankers' Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A1/P1	25%	10%
Negotiable Certificates of Deposit	5 years	N/A	30%	None
Reverse Repurchase Agreements	92 days	N/A	20% of base value	None
Medium-Term Notes	5 years	A	30%	None
Mutual Funds Investing in Eligible Securities	N/A	AAA	20%	10%
Mortgage Pass-Through Securities	5 years	AA	20%	None
Local Agency Investment Fund	N/A	N/A	None	None
JPA Pools (other investment pools)	N/A	N/A	None	None

A Retirement Board-adopted policy, the "Statement of Investment Objectives and Policy Guidelines for 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.

2. CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity (1)	Minimum Rating (3)	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Cash	None	N/A	None	None
U.S. Treasury Bills	None	N/A	None	None
Agency Discount Notes	None	N/A	None	None
Certificates of Deposit	None	N/A	None	None
Bankers Acceptances	None	N/A	None	None
Commercial Paper	None	A2/P2	None	None
Asset-Backed Commercial Paper	None	A2/P2	None	None
Money Market Funds and Bank Short-Term Investment Funds (STIF)	None	N/A	None	None
Repurchase Agreements	None	N/A	None	None
U.S. Government and Agency Securities	None	N/A	None	None
Credit Securities/Corporate Debt (4)	None	N/A	None	None
Securitized Investments (5)	None	N/A	None	None
Emerging Markets	None	N/A	None	None
International Fixed Income Securities	None	N/A	None	None
Other Fixed Income Securities (6)	None	N/A	None	None
Mutual Funds	N/A	N/A	25% (2)	5%
Real Estate Investment Trust	N/A	N/A	25% (2)	5%
Depository Receipt	N/A	N/A	25% (2)	5%
Stocks	N/A	N/A	25% (2)	5%

(1) The fixed income portion of the ATU/IBEW Plan and Salaried Plan 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.
(3) The investment managers shall maintain a minimum overall portfolio quality rating of “A” equivalent or better at all times (based on market-weighted portfolio average). Minimum quality (at purchase) must be at least 80% Baa or above.
(4) Credit Securities and Corporate Debt include: debentures, medium-term notes, capital securities, trust preferred securities, Yankee bonds, Eurodollar securities, floating rate notes and perpetual floaters, structured notes, municipal bonds, preferred stock, private placements (bank loans and 144(a) securities), and EETCs.
(5) Securitized investments includes: agency and non-agency mortgage-backed securities, asset-backed securities (144(a) securities), and commercial mortgage-backed securities.
(6) Other Fixed Income Securities includes: fixed income commingled and mutual funds, futures and options, swap agreements, and reverse repurchase agreements.

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.

2. CASH AND INVESTMENTS (Continued)

INTEREST RATE RISK

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

The following table provides information about the interest rate risks associated with investments as of June 30, 2016:

	Maturities in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Amount
Enterprise Fund					
Corporate Bonds	$ 55,280	$ 711,001	$ -	$ -	$ 766,281
Asset-Backed Securities	-	196,529	-	-	196,529
U.S. Government Agency Obligations	271,074	1,119,502	-	-	1,390,576
U.S. Government Issued Obligations	-	843,383	-	-	843,383
Total Enterprise Fund	$ 326,354	$ 2,870,415	$ -	$ -	$ 3,196,769
Fiduciary Funds					
ATU/IBEW and Salaried:					
Collateralized Mortgage Obligations	$ -	$ 1,089,677	$ 452,552	$ 5,092,203	$ 6,634,432
Corporate Bonds	1,946,133	6,313,010	7,491,959	4,933,543	20,684,645
Municipal Bonds	-	-	462,901	277,339	740,240
U.S. Government Agency Obligations	-	661,410	798,333	23,336,561	24,796,304
U.S. Government Issued Obligations	1,570,536	18,841,122	3,115,509	4,901,890	28,429,057
Asset-Backed Securities	-	-	1,273,142	9,137,389	10,410,531
Other Debt Securities	-	738,188	-	-	738,188
Total Fiduciary Funds	$ 3,516,669	$ 27,643,407	$ 13,594,396	$ 47,678,925	$ 92,433,397

2. CASH AND INVESTMENTS (Continued)

MORTGAGE PASS-THROUGH SECURITIES

These securities are issued by Government Sponsored Enterprises (GSEs), which are a group of financial services corporations created by the United States Congress. The GSEs include: the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Association (Freddie Mac), and the Federal Home Loan Banks. Another institution that issues these securities is the Government National Mortgage Association (Ginnie Mae). 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 value of these securities.

COLLATERALIZED MORTGAGE OBLIGATIONS

Collateralized mortgage obligations (CMOs) 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.

CMOs 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.

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 value to be highly sensitive to changes in interest rates. As of June 30, 2016, the District held callable bonds in the amount of $178,678. The Pension Trust Funds held callable bonds in the amount of $5,381,862

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, 2016, the District did not hold any of these securities. As of June 30, 2016, the Pension Trust Funds held range notes in the amount of $389,597.

2. CASH AND INVESTMENTS (Continued)

CREDIT RISK

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

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

Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.
For the fiscal year ending June 30, 2016, 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, 2016:

Enterprise Fund		
Moody's Ratings	Amount	Percentage of Portfolio
Not applicable	$ 7,318,981	9.08%
Not rated	56,195,016	69.84%
Aaa/Aaa-mf/P1	16,246,020	20.19%
Aa1	55,135	0.07%
Aa2	35,058	0.04%
Aa3	20,146	0.03%
A1	447,592	0.56%
A2	141,532	0.18%
A3	5,038	0.01%
	$ 80,464,518	100.00%

Fiduciary Funds		
	ATU/IBEW and Salaried	
Moody's Ratings	Amount	Percentage of Portfolio
Not applicable	$ 160,336,817	63.43%
Not rated	29,396,518	11.63%
Aaa	36,966,595	14.62%
Aa1	560,218	0.22%
Aa2	1,126,331	0.45%
Aa3	355,785	0.14%
A1	1,987,906	0.79%
A2	2,425,477	0.96%
A3	4,877,036	1.93%
Baa1	3,921,304	1.55%
Baa2	3,580,644	1.42%
Baa3	2,364,999	0.94%
Ba1	785,010	0.31%
Ba2	620,450	0.25%
Ba3	1,198,809	0.47%
B1	570,760	0.23%
B2	81,822	0.03%
B3	134,413	0.05%
Caa3	439,445	0.17%
Ca	7,134	0.00%
WR	1,032,739	0.41%
Total	$ 252,770,212	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 year 2016, 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) and CalTRUST:

Federal National Mortgage Association	$	609,316
Federal Home Loan Mortgage Corporation		367,579
Federal Home Loan Bank		311,930

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, 2016, the Plans held more than 5% of the Plans' investments in the following fixed-income securities investments:

Federal Home Loan Bank	$ 12,384,797

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, 2016, $2,548,338 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.

2. CASH AND INVESTMENTS (Continued)

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 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, 2016, 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 AND CALTRUST

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 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 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's total investment in the LAIF at June 30, 2016, was $19,845,023.

The District is also a voluntary participant in the Investment Trust of California (CalTRUST) which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST and selects and supervises the activities of the Investment Manager and other agents. The District's investment in CalTRUST is measured at net asset value (NAV), as described below on page 40. As of June 30, 2016, the District investments in CalTRUST were $11,606,474, all of which is invested in the Short Term fund.

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. As of June 30, 2016, the District does not have any deposits or investments in a foreign currency.

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. The Pension Trust Funds have foreign currency deposits and investments, which may be used for hedging purposes.

At June 30, 2016, the U.S. dollar balances organized by investment type and currency denominations for the Pension Trust Funds are as follows:

Investment Type	Foreign Currency	US Dollars
Cash	Swiss Franc	$ 6,108
	EURO	429
	Japanese Yen	104
	Total:	$ 6,641

FAIR VALUE MEASUREMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had the following recurring fair value measurements as of June 30, 2016:

2. CASH AND INVESTMENTS (Continued)

Investments by fair value

	06/30/2016	Level 1	Level 2	Level 3
Enterprise fund				
Debt securities				
Corporate bonds	$ 766,281	$ -	$ 766,281	$ -
Asset backed securities	196,529	-	196,529	-
U.S. Government Agency obligations	1,390,576	-	1,390,576	-
U.S. Government issued obligations	843,383	843,383	-	-
Carbon credits (LCFS/RIN)	1,040,189	1,040,189	-	-
Total enterprise fund	4,236,958	1,883,572	2,353,386	-
Fiduciary fund				
Debt securities				
Collateralize mortgage obligations	6,634,432	-	6,634,432	-
Corporate bonds	20,684,645	-	20,684,645	-
Municipals	740,240	-	740,240	-
U.S. Government Agency obligations	24,796,304	-	24,796,304	-
U.S. Government issued obligations	28,429,057	28,429,057	-	-
Asset backed obligations	10,410,531	-	10,410,531	-
Other debt securities	738,188	-	738,188	-
Equity securities	-			
Common stock	57,798,157	57,798,157	-	-
Depository receipts	609,755	609,755	-	-
Real estate investment trust	390,976	390,976	-	-
Total fiduciary fund	151,232,285	87,227,945	64,004,340	-
Total investments by fair value	$ 155,469,243	$ 89,111,517	$ 66,357,726	$ -

Investments measured at the net asset value (NAV)

Enterprise fund	
CalTRUST	$ 11,606,474
Fiduciary Fund	
S&P 500 Index Fund	40,604,536
MSCI EAFE Index Fund	20,550,873
International Equity Fund	21,281,757
International Emerging Markets Fund	12,537,202
Total Fiduciary	94,974,368
Total investments measured at NAV	106,580,842
Total Investments	$ 262,050,085

2. CASH AND INVESTMENTS (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Net asset value (NAV) securities are valued based on the net asset value of the pooled investments. The NAV is determined by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares of the fund.

Investments measured at the NAV

	Amount	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Enterprise fund				
CalTRUST (1)	$ 11,606,474	-	Daily	1 day
Fiduciary Fund				
S&P 500 Index Fund (2)	40,604,536	-	Daily	1 day
MSCI EAFE Index Fund (3)	20,550,873	-	Semi-monthly	6-8 days
International Equity Fund (4)	21,281,757	-	Daily	1 day
International Emerging Markets Fund (5)	12,537,202	-	Daily	1 day
Total Fiduciary	94,974,368			
Total investments measured at NAV	$ 106,580,842			

1. CalTRUST. This type includes an investment in an external investment pool that is governed by the California Government Investment Code. CalTRUST is benchmarked against LAIF and the Barclays Short-Term Government/Corporate Index. The fair value of the investment in this type has been determined using the NAV. The NAV is calculated daily by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares of the fund.

2. S&P 500 Index Fund. This type includes an investment in an S&P 500 index fund that invests to match the S&P 500® Index. The S&P 500 is made up of primarily U.S. common stocks. The fair value of the investment in this type has been determined using the NAV per unit of the investment. The NAV per unit of the investment are determined each business day. Issuances and redemptions of fund units may be made on such days, based upon the closing market value on the valuation date of the investments bought or sold and the NAV per unit of the fund.

3. MSCI EAFE Index Fund. This type includes an investment in the Morgan Stanley Capital International Europe, Australasia, Far East Index (MSCI EAFE) Index fund that invest to approximate as closely as practicable, before expenses, the performance of the MSCI EAFE Index over the long term. The MSCI EAFE Index is made up of primarily International stocks. The per-unit NAV of the fund is determined as of the last business day of each month and at least one other business day during the month. Issuances and redemptions of fund units may be made on such days, based upon the closing market value on the valuation date of the investments bought or sold and the NAV per unit of the fund.

2. CASH AND INVESTMENTS (Continued)

4. International Equity Fund. This type includes an investment in an International Equity Fund that seeks total return from long-term capital growth and income, while attempting to outperform the MSCI EAFE Index over a market cycle, gross of fees. The fair value of the investment in this type has been determined using the NAV per unit of the investment. Issuances and redemptions of fund shares can be performed on any business day, based on the closing market value on the valuation date of the purchase or sale.

5. International Emerging Markets Fund. This type invests substantially all of its assets in the Emerging Market Series. The Emerging Market Series purchases a broad market coverage of larger companies associated with emerging markets, which may include frontier markets (emerging market countries in an earlier stage of development), authorized for investment by the Advisor's Investment Committee. As a non-fundamental policy, under normal circumstances, the Emerging Markets Series will invest at least 80% of its net assets in emerging markets investments that are defined in the Prospectus as Approved Market securities. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investors may purchase or redeem shares of the fund on any business day.

RESTRICTED CASH AND INVESTMENTS

Enterprise Fund

At June 30, 2016, cash and investments include restricted amounts of the District's Enterprise Fund of $71,409,265. Amounts represent monies restricted for retirement of debt, developer fee projects, and grantor-approved projects.

Fiduciary Funds

At June 30, 2016, cash and investments include restricted amounts of the Pension Trust Funds of $252,770,212. Amounts represent funds restricted for employees' retirement.

3. CAPITAL ASSETS

Activity for the year ended June 30, 2016, was as follows:

Assets at Cost	Balance June 30, 2015	Additions	Transfers	Deletions	Balance June 30, 2016
Non-Depreciated Capital Assets					
Land*	$ 85,664,382	$ -	$ 5,262,489	$ -	$ 90,926,871
Capital Projects in Process	253,495,448	36,503,165	(247,068,380)	-	42,930,233
Total Non-Depreciated Capital Assets	339,159,830	36,503,165	(241,805,891)	-	133,857,104
Depreciated Capital Assets					
Buildings and Improvements*	744,088,612	13,153	222,635,169	-	966,736,934
Buses and Other Equipment	296,737,934	22,178,920	19,170,722	(20,390,243)	317,697,333
Total Depreciated Capital Assets	1,040,826,546	22,192,073	241,805,891	(20,390,243)	1,284,434,267
Accumulated Depreciation:					
Buildings and Improvements	(269,123,469)	(24,455,171)	-	-	(293,578,640)
Buses and Other Equipment	(175,498,308)	(15,889,505)	-	20,390,243	(170,997,570)
Total Accumulated Depreciation	(444,621,777)	(40,344,676)	-	20,390,243	(464,576,210)
Capital Assets Being Depreciated, Net	596,204,769	(18,152,603)	241,805,891	-	819,858,057
Capital Assets, Net	$ 935,364,599	$ 18,350,562	$ -	$ -	$ 953,715,161

*Land and Building – the values of the land and buildings at McClellan Park, approximately $3.7 million and $6.7 million, respectively, are included in these figures in anticipation of the District receiving future Fee Simple title. On January 5, 2007, a net lease and purchase agreement was recorded, giving the District a 94-year land and building leasehold and providing for a future transfer of Fee Simple title upon completion of Hazardous Materials clean-up by the United States Air Force.

Pursuant to such transaction, the District acquired a leasehold interest in multiple buildings and some exterior parking and the right to use certain common areas at McClellan Park (formerly McClellan Air Force Base). Fee Simple title to the property is projected to be transferred to the District 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 $30.8 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 Cosumnes 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, which have already been paid in full, and there are no future payments due. It is the responsibility of Los Rios to maintain, repair, and pay all taxes and utilities associated with the structures operations. The term of the lease, which commenced in August 2015 with the opening of the South Sacramento Corridor Phase II light rail extension, 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.

3. CAPITAL ASSETS (Continued)

In fiscal year 2013, tax exempt Farebox Revenue Bonds were issued to finance specific transit related improvements. Total interest incurred in fiscal year 2016 was $3,957,950. Of this amount, interest in the amount of $2,222,692 was capitalized in fiscal year 2016. The cumulative capitalized interest on these bonds is $9,868,128 at June 30, 2016.

4. LINE OF CREDIT

For the purpose of short-term borrowing needs, the District has an unsecured line of credit (LOC) agreement with U.S. Bank National Association. 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 $29,000,000 limit. The interest rate for the LOC with U.S. Bank for the used portion of the LOC was at LIBOR plus 1.50% and the unused portion was a fixed 0.75% for the fiscal year ending June 30, 2016.

As of June 30, 2016, the District reported compliance with the short-term borrowing requirements stated under the California Government Code and with the financial covenants required by U.S. Bank.

The LOC balance at June 30, 2016, is summarized as follows:

Beginning Balance	$	18,100,000
Draws		53,450,000
Payments		(44,550,000)
Ending Balance	$	27,000,000

5. LEASES

OPERATING LEASES

The District leases buildings, parking lots, and office facilities under non-cancelable operating leases. Total cost for such leases was $360,858 for the fiscal year ended June 30, 2016. The future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount	
2017	$	303,524
2018		123,300
2019		5,700
2020		2,400
Total	$	434,924

5. LEASES (Continued)

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.

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, 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. In fiscal year ending June 30, 2016, the District amortized $419,763 of such deferred gain. At June 30, 2016, the District had a balance of $7,765,612 as deferred gain on the lease/leaseback transactions.

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

5. LEASES (Continued)

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, the lease/leaseback transactions were restructured to (1) eliminate any minimum rating requirements applicable to Ambac, (2) reduce the minimum rating requirement applicable to AIG as debt payment undertaker guarantor to “Baa3” from Moody’s and “BBB-” from S&P, (3) replace 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) extend the time periods for any of the District’s remaining replacement obligations to one year.

No payments under the debt payment undertaking agreements remain.

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+”. 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”).

As a result of the October Amendment, the District is in full compliance with the terms of the lease/leaseback transactions.

As U.S. Treasury Obligations, held in trust, will mature to satisfy the purchase option for the Equipment under each Sublease, the District has recorded the amounts held by the trustee, US Bank, as Deposits for Lease/Leaseback Payables on the Statements of Net Position. 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. At June 30, 2016, the balance of this deposit was $38,752,526.

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

Future minimum payments due in fiscal years ending June 30:	Amount
2017	$ -
2018	-
2019	-
2020	-
2021	-
2022-2026	-
2027-2031	14,252,635
2032-2036	83,679,455
Total future minimum payments	97,932,090
Less: imputed interest	(59,179,564)
Present value of minimum lease payments	$ 38,752,526

6. 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, will 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 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 $142,723,500 at June 30, 2016. Interest paid was $3,957,950 for the fiscal year ending June 30, 2016. Annual principal and interest payments on the Revenue Bonds are expected to require approximately no more than 23% of total farebox revenues. Farebox revenues were $28,055,804 for the fiscal year ending June 30, 2016.

As of June 30, 2016, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2017	1,595,000	3,896,750	5,491,750
2018	1,655,000	3,832,950	5,487,950
2019	1,740,000	3,750,200	5,490,200
2020	1,825,000	3,663,200	5,488,200
2021	1,920,000	3,571,950	5,491,950
2022-2026	11,125,000	16,321,000	27,446,000
2027-2031	14,205,000	13,247,250	27,452,250
2032-2036	17,905,000	9,536,200	27,441,200
2037-2041	22,630,000	4,812,500	27,442,500
2042	5,230,000	261,500	5,491,500
Total	$ 79,830,000	$ 62,893,500	$ 142,723,500

6. LONG-TERM DEBT (Continued)

As of June 30 2016, the unamortized premium associated with the Revenue Bonds was $7,283,931. The amortization of the premium for fiscal year ended June 30, 2016, was $283,851.

As of June 30, 2016, the Districted reported compliance with all financial covenants of the Farebox Revenue Bonds.

LOANS PAYABLE

Loans payable at June 30, 2016, include $13,988,074 received in November 2013 from the Public Transportation account (PTA) in the State Transportation Fund pursuant to Section 2 of Chapter 527, Statutes of 2013 (AB 1222). The loan was extended by the State to temporarily replace a Federal Transit Administration grant that lapsed due to the application of the Federal Transit Act's "13(c)" provision to the California Public Employee Pension Reform Act of 2013 (PEPRA). The federal funds remain appropriated and the issue is in litigation. The loan is due on or before 60 days after either a federal district court rules that the US Department of Labor erred in determining that application of PEPRA precludes certification under subsection (b) of Section 5533 of Title 49 of the United States Code or certification by the US Department of Labor that results in the receipt of the federal grant funds but, in any case, no later than January 1, 2019. The PTA loan accrues interest at the rate earned by the State Pooled Money Investment Account at the time of the loan which was 0.266%. As of June 30, 2016, the principal balance of the PTA loan was $13,988,074 and accrued interest was $100,049.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
2012 Revenue Bonds	$ 81,360,000	$ -	$ (1,530,000)	79,830,000	$ 1,595,000
Issuance Premium	7,567,782	-	(283,851)	7,283,931	283,851
Total 2012 Revenue Bonds	88,927,782	-	(1,813,851)	87,113,931	1,878,851
				-	
Compensated Absences	9,923,689	7,487,106	(7,361,664)	10,049,131	7,428,846
Net Pension Liability	83,548,095	36,985,186	(28,119,366)	92,413,915	-
Loans Payable	13,988,074	-	-	13,988,074	-
Advances from Other Governments	38,080,766	8,928,185	(19,079,129)	27,929,822	16,205,749
Claims Payable	19,049,013	4,330,246	(3,507,920)	19,871,339	3,973,703
Lease/Leaseback Payable	36,861,364	1,891,162	-	38,752,526	-
Long-Term Liabilities	$ 290,378,783	$ 59,621,885	$ (59,881,930)	$ 290,118,738	$ 29,487,149

7. 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) and Department of Homeland Security. Federal funding for the fiscal year ended June 30, 2016, is comprised of the following:

	2016
Operating assistance grants:	
FTA Section 5307	$ 23,239,886
FTA Section 5337	11,487,417
FTA Section 5339	738,270
FTA Section 5309	661,156
Dept of Homeland Security	29,029
FTA Section 5316	-
FTA Section 5304	-
Total Federal operating assistance grants	36,155,758
Capital grants:	
FTA Section 5309	14,525,911
FTA Section 5307	14,362,952
FTA Section 5339	1,120,679
FTA Section 5317	50,020
FTA Section 5337	12,053
FHWA Section 112	6,164
FTA Section 5313	-
Total Federal capital grants	30,077,779
Total Federal operating and capital grants	$ 66,233,537

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.

7. 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 year ended June 30, 2016, is comprised of the following:

Operating assistance grants:	
Measure A Sales Tax Revenue	$ 36,914,890
Local Transportation Funds	36,950,479
State Transit Assistance	7,049,491
Low Carbon Operations Transit Program	603,162
Total state and local operating assistance grants	81,518,022
Capital grants:	
Proposition 1B	12,521,342
Transit and Intercity Rail Program	3,178,751
Developer Fees	1,772,994
Measure A Sales Tax Revenue	329,407
Proposition 1A	274,701
Sacramento Housing and Redevelopment	107,449
Traffic Congestion Relief Program	17,741
Department of Transportation	13,212
City of Rancho Cordova	11,468
State Transit Assistance	155
County of Sacramento	5
Other	148,814
Total state and local capital grants	18,376,039
Total state and local grants	$ 99,894,061

7. FUNDING SOURCES (Continued)

ADVANCES FROM OTHER GOVERNMENTS

Advances from other governments at June 30, 2016, consisted of the following:

Proposition 1B	$	15,862,017
Developer Fees		8,457,090
Low Carbon Operations Transit Program		1,893,137
ECOS		1,684,974
Other		32,604
Total advances from other governments	$	27,929,822

The advances from other governments are grants and other fees received, but not yet spent; utilized principally for capital funding. There are no payments due on these advances. Management makes an estimate of the amount that will be recognized in the next fiscal year and classifies this amount as current.

8. FARE REVENUE RATIO

The District is required to maintain a fare revenue-to-operating expense ratio of 23% 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 year ended June 30, 2016:

Fare Revenues	$	28,055,804
Local Fund Supplementation		
(Measure A)		6,764,719
Total Revenues	$	34,820,523
Operating Expenses	$	191,318,491
Less Allowable Exclusions:		
Depreciation and Amortization		(39,924,912)
Net Operating Expenses	$	151,393,579
Fare Revenue Ratio		23.00%

9. 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 (ATU Plan),
- The Sacramento Regional Transit District Retirement Plan for members of IBEW Local 1245 (IBEW Plan), and
- The Sacramento Regional Transit District Retirement Plan for Salaried Employees (Salaried Plan) who are members of the:
    - Administrative Employees' Association (AEA),
    - Management and Confidential Employees Group (MCEG), and
    - American Federation of State, County and Municipal Employees (AFSCME), which is further broken down into the following groups for bargaining and contract purposes:
        - AFSCME-Technical
        - AFSCME -Supervisors

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. The District's administrative functions include: payments to retirees, accounting, financial management, Plan document management, correspondence with retirees, pension calculations, and other administrative tasks. The Boards of Directors are responsible for investment decisions, approving the annual actuarial valuation and annual contributions, approving the annual audited financial statements, approving retirements, and other tasks. All expenses incurred in the administration of the plans are paid by the plans.

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. Each Board member serves a four year term, with no limit on the amount of terms that can be served. The ATU/IBEW Plan and the Salaried Plan issue a publicly available combined financial report that includes audited 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, or online at www.sacrt.com.

9. PENSION PLANS (Continued)

Plan Transfers – Transfers between Plans occur when an active employee of the ATU/IBEW Plan transfers to a new position within the Salaried Plan, or vice versa. When a transfer takes place contributions made on behalf of that employee must be assessed to determine if the assets need to be moved to the new Plan.

Plan Tier Definition – As a result of labor negotiations and the court ruling on the Public Employees' Pension Reform Act, a new Tier was created in both the ATU/IBEW and Salaried Plans. The Tier effective date was directly affected by labor negotiations and whether the union/employee group was under a current Memorandum of Understanding (MOU). As of December 30, 2014, the ATU, IBEW, and AFSCME-Technical unions were bound by a current MOU. Whereas, the AEA, MCEG, and AFSCME-Supervisors had not settled negotiations and were not bound by a current MOU; therefore, PEPRA was required to be implemented for these groups.

- ATU, IBEW, and AFSCME-Technical – Tier 1 consists of all employees hired on or before December 31, 2014, Tier 2 consists of all employees hired on or after January 1, 2015.
- AEA, MCEG, and AFSCME-Supervisors – Tier 1 consists of all employees hired on or before December 30, 2014, Tier 2 consists of all employees hired on or after December 31, 2014.

Tier 1 is closed to new entrants as all newly hired employees will be placed into the respective Tier 2 plans.

Plan Termination – Should the ATU/IBEW or the Salaried Plan be terminated, the Plan's net position will first be applied to provide for retirement benefits to retired members. Any remaining net position will be allocated to other members, oldest first both active and inactive, on the basis of the actuarial present value of their benefits.

PUBLIC EMPLOYEE PENSION REFORM ACT (PEPRA)

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 the employees 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.

On 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 previously received were refunded in November 2013 and the employees hired between January 1, 2013 and October 4, 2013 were included in the Tier 1 Plans. On September 28, 2014, Assembly Bill 1783 was signed by Governor Brown which extended the District's and the Plans' PEPRA exemption to January 1, 2016.

9. PENSION PLANS (Continued)

On December 30, 2014, a court ruling was released in which PEPRA became a requirement for transit agencies in the state of California. The ruling indicated that if a bargaining group was within a current MOU, PEPRA would not apply until the expiration of said MOU. As of December 30, 2014, the ATU, IBEW, and AFSCME-Technical groups were under a current MOU. For all other employee groups not under current contract (MCEG, AEA, and AFSCME-Supervisors), PEPRA applied to all new hires as of December 30, 2014.

BENEFITS PROVIDED

Contributions to the ATU/IBEW and Salaried Plans are authorized or amended by the Retirement Board based on an actuarial basis. The authority under which benefit provisions are established and amended rests with the District's Board of Directors as a result of labor negotiations.

The ATU/IBEW and Salaried Plans provide defined pension, disability, and death benefits to employees who are members of the ATU, IBEW, AEA, MCEG, AFSCME-Technical, and AFSCME-Supervisors bargaining units.

The benefits for both Tier 1 and Tier 2 members begin at retirement and continue for the participant's life with no cost of living adjustment. The participant can elect to receive reduced benefits with continuing benefits to a beneficiary after death.

Disability Benefits – A participant is eligible for a disability benefit if the participant is unable to perform the duties of his or her job with the District, cannot be transferred to another job with the District, and has submitted satisfactory medical evidence of permanent disqualification from his or her job. Members are required to be vested in their respective union or employee group to qualify for disability retirement. The disability benefit is equal to the retirement allowance, as defined by the ATU/IBEW or Salaried Plan, multiplied by service accrued through the date of disability. The disability benefit cannot exceed the retirement benefit. The benefit begins at disability and continues until recovery or for the participant's life unless the participant elects to receive reduced benefits with continuing benefits to a beneficiary after death.

Pre-Retirement Death Benefit – A participant's surviving spouse is eligible for a pre-retirement death benefit if the participant is vested, based on the respective bargaining agreements. The pre-retirement death benefit is the actuarial equivalent of the normal retirement benefit, as if the participant retired on the date of death. The death benefit begins when the participant dies and continues for the life of the surviving spouse or until remarriage.

9. PENSION PLANS (Continued)

ATU/IBEW Plan membership for both Tier 1 and Tier 2 at June 30, 2016, consisted of:

Retirees and beneficiaries currently receiving benefits	530
Terminated members entitled to but not yet collecting benefits	41
Current active members	730
	1,301

Salaried Plan membership for both Tier 1 and Tier 2 as of June 30, 2016, consisted of:

Retirees and beneficiaries currently receiving benefits	242
Terminated members entitled to but not yet collecting benefits	41
Current active members	244
	527

9. PENSION PLANS (Continued)

Table 1 below presents a summary of the retirement benefits for Tier 1 employees for each of the employee groups represented by the ATU/IBEW and Salaried Plans for fiscal year ending June 30, 2016.

Table 1

TIER 1	**ATU/IBEW Plan**		**Salaried Plan**			
Employee Union/ Groups	**ATU**	**IBEW**	**AFSCME - Technical**	**AFSCME - Supervisors**	**AEA**	**MCEG**
Plan Terms	MOU	MOU	MOU	MOU	MOU	MOU
Vesting Period: Years of Service - % Vested	10 - 100%	5 - 100%	5 - 20% 6 - 40% 7 - 60% 8 - 80% 9 - 100%	9 - 100%	5 - 100%	5 - 100%
Wages used in pension calculation	Ranges from 48 to 60 months depending on date of separation. See Plan documents for specific provisions.					
Employer Contribution	26.51%	26.51%	31.55%	31.55%	31.55%	31.55%
Employee Contribution	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vacation sell back towards pension calculation	Allowable	Allowable	Allowable	Allowable	Allowable	Allowable
Sick leave sell back towards pension calculation	Allowable	Allowable	Allowable	Allowable	Allowable	Allowable
Retirement Age Eligible and Multiplier	See Table 3	See Table 3	See Table 3	See Table 3	See Table 3	See Table 3
Disability Retirement Multiplier	Equal to applicable retirement age multiplier or 2% if age and service are not met. Vesting required					

9. PENSION PLANS (Continued)

Table 2 below presents a summary of the retirement benefits for Tier 2 employees for each of the employee groups represented by the ATU/IBEW and Salaried Plans effective for fiscal year ending June 30, 2016.

Table 2

TIER 2	**ATU/IBEW Plan**		**Salaried Plan**			
Employee Unions/Groups	**ATU**	**IBEW**	**AFSCME - Technical**	**AFSCME - Supervisors**	**AEA**	**MCEG**
Plan Terms	MOU	MOU	MOU	PEPRA	PEPRA	PEPRA
Vesting Period: Years of Service - % Vested	10 - 100%	10 - 100%	5 - 10% 6 - 30% 7 - 50% 8 - 70% 9 - 90% 10 - 100%	5 - 100%	5 - 100%	5 - 100%
Wages used in pension calculation	Highest consecutive 48 months					
Employer Contribution	23.51%	23.51% to 25.01%	28.55% to 30.05%	25.80%	25.80%	25.80%
Employee Contribution	3.0%	1.5% to 4.5%	1.5% to 4.5%	1/2 Normal Cost	1/2 Normal Cost	1/2 Normal Cost
Vacation sell back towards pension calculation	Allowable	Allowable	Allowable	Not Allowable	Not Allowable	Not Allowable
Sick sell back towards pension calculation	Allowable	Allowable	Allowable	Not Allowable	Not Allowable	Not Allowable
Retirement Age Eligible and Multiplier	See Table 4	See Table 4	See Table 4	See Table 4	See Table 4	See Table 4
Disability Retirement Multiplier	Equal to applicable retirement age multiplier or 2% if age and service are not met. Vesting required					

9. PENSION PLANS (Continued)

The retirement ages, years of service and pension calculation multipliers vary by employee union/group. The specific benefits for the ATU/IBEW and Salaried Plan Tier 1 and Tier 2 employees as of June 30, 2016, are outlined below in Table 3 and Table 4, respectively:

Table 3

Tier 1			
Employee Unions/ Groups	**Age**	**Years of Service**	**Multiplier**
ATU	55	25	2.00%
	56	26	2.10%
	57	27	2.20%
	58	28	2.30%
	59	29	2.40%
	60	30 or more	2.50%
IBEW	55-59	25-29 or more	2.00%
	60	30 or more	2.50%
Salaried (AEA, MCEG, and AFSCME)	55	25	2.00%
	56	26	2.10%
	57	27	2.20%
	58	28	2.30%
	59	29	2.40%
	60	30 or more	2.50%

Table 4

Tier 2			
Employee Unions/ Groups	**Age**	**Years of Service**	**Multiplier**
ATU	55	25	2.00%
	56	26	2.10%
	57	27	2.20%
	58	28	2.30%
	59	29	2.40%
	60	30 or more	2.50%
IBEW	55-62	N/A	2.00%
	63	N/A	2.10%
	64	N/A	2.20%
	65	N/A	2.30%
	66	N/A	2.40%
	67	N/A	2.50%
AFSCME-Technical	55	25	2.00%
	56	26	2.10%
	57	27	2.20%
	58	28	2.30%
	59	29	2.40%
	60	30 or more	2.50%
AEA, MCEG, and AFSCME - Supervisors	55	N/A	1.30%
	56	N/A	1.40%
	57	N/A	1.50%
	58	N/A	1.60%
	59	N/A	1.70%
	60	N/A	1.80%
	61	N/A	1.90%
	62	N/A	2.00%
	63	N/A	2.10%
	64	N/A	2.20%
	65	N/A	2.30%
	66	N/A	2.40%
	67	N/A	2.50%

9. PENSION PLANS (Continued)

Contributions

The ATU/IBEW and Salaried Plans' funding policy provides for actuarially determined periodic contributions. Contribution rates for retirement benefits are determined using the entry age normal cost method and are approved by the Boards of Directors annually. During the fiscal year ended June 30, 2016, the District made 100% of the actuarially determined contributions. Contributions to the ATU/IBEW Plan for fiscal year ended June 30, 2016, were $10,447,190. Contributions to the Salaried Plan for the fiscal year ended June 30, 2016, were $7,576,866.

Table 5 presents the employer and employee contribution rates and for Tier 1 employees as of June 30, 2016:

Table 5

Tier 1	Employer	Employee
ATU/IBEW Plan	26.51%	0.00%
Salaried Plan	31.55%	0.00%

As of January 1, 2015, all new employees were required to contribute to their pension based upon the terms of the bargaining groups MOU or based on PEPRA. Table 6 presents the employer and employee contribution rates for Tier 2 employees as of June 30, 2016:

Table 6

Tier 2	Employer	Employee
ATU	23.51%	3.00%
IBEW	23.51% to 25.01%	1.50% to 4.50%
AFSCME - Technical	28.55% to 30.05%	1.50% to 4.50%
AEA, MCEG, and AFSCME - Supervisors	25.80%	5.75%

The employee contributions to the ATU/IBEW Plan for the fiscal year ended June 30, 2016, were $54,714. The employee contributions to the Salaried Plan for the fiscal year ended June 30, 2016, were $21,014.

9. PENSION PLANS (Continued)

The employee contribution rate calculated in compliance with PEPRA, for June 30, 2016, were actuarially determined on April 20, 2015, using the member data from actuarial valuations of the Plans as of June 30, 2014.

NET PENSION LIABILITY

The District's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and projected to June 30, 2015 for both the ATU/IBEW and Salaried Plans. There were no significant events during the projection period. Update procedures were used to roll forward the total pension liability to the measurement date. The reporting date is June 30, 2016, for both Plans.

Actuarial Assumptions – The total pension liability in the June 30, 2014 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement for both the ATU/IBEW and Salaried Plans. The following changes to actuarial assumptions were made between the fiscal year ending June 30, 2016 and 2015 for both the ATU/IBEW and Salaried Plans: the investment rate of return and discount rate was reduced from 7.75% to 7.65%, the amortization growth rate decreased from 3.25% to 3.15%, the inflation rate decreased from 3.25% to 3.15%, and the salary increases rate decreased from 3.25% to 3.15%.

Inflation	3.15%
Amortization growth rate	3.15%
Salary Increases	3.15%, plus merit component
Investment Rate of Return	7.65%, net of investment expense
Discount Rate	7.65%

Mortality rates were based on the Sex Distinct RP-2000 Combined Blue Collar Mortality, 3 year setback for females mortality table for the ATU/IBEW Plan, and the Sex Distinct RP-2000 Combined White Collar Mortality, 3 year setback for females, mortality table for the Salaried Plan.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006 through June 30, 2011.

9. PENSION PLANS (Continued)

For both the ATU/IBEW Plan and the Salaried Plan, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Large Cap	32.00%	8.85%
Domestic Equity Small Cap	8.00%	9.85%
International Equity Developed Large Cap	14.00%	9.55%
International Equity Developed Small Cap	5.00%	-
International Equity Emerging	6.00%	11.15%
Domestic Fixed Income	35.00%	3.05%
Total	100.00%	

Discount rate – The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the current contribution rate and that the District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The ATU/IBEW and Salaried Retirement Boards approved a reduction to the discount rate to 7.50%, on April 27, 2016. The reduction in the discount rate will take affect for the actuarial study dated June 30, 2015, and will affect the District's fiscal year ended June 30, 2017 contributions.

9. PENSION PLANS (Continued)

CHANGES IN THE NET PENSION LIABILITY

Table 7 below presents the changes in the net pension liability for the ATU/IBEW Plan as of June 30, 2016:

Table 7

	ATU/IBEW Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2015	$ 215,046,075	$ 170,497,673	$ 44,548,402
Changes for the year:			
Service Cost	5,753,143	-	5,753,143
Interest	16,384,487	-	16,384,487
Differences between expected and actual experience	(2,941,777)	-	(2,941,777)
Changes of assumptions	1,621,574	-	1,621,574
Contributions - employer	-	10,343,620	(10,343,620)
Contributions - member	-	3,682	(3,682)
Net Investment Income	-	4,609,506	(4,609,506)
Benefit Payments, including refunds of employee contributions	(13,157,985)	(13,157,985)	-
Administrative Expense	-	(190,442)	190,442
Balances at 6/30/2016	$ 222,705,517	$ 172,106,054	$ 50,599,463

9. PENSION PLANS (Continued)

Table 8 below presents the changes in net pension liability for the Salaried Plan as of June 30, 2016:

Table 8

	Salaried Plan Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 6/30/2015	$ 109,824,641	$ 70,824,948	$ 38,999,693
Changes for the year:			
Service Cost	3,476,103	-	3,476,103
Interest	8,434,365	-	8,434,365
Differences between expected and actual experience	(753,076)	-	(753,076)
Changes of assumptions	930,863	-	930,863
Contributions - employer	-	7,335,308	(7,335,308)
Contributions - member	-	261	(261)
Net Investment Income	-	2,132,136	(2,132,136)
Benefit Payments, including refunds of employee contributions	(5,502,144)	(5,502,144)	-
Administrative Expense	-	(194,209)	194,209
Balances at 6/30/2016	$ 116,410,752	$ 74,596,300	$ 41,814,452

9. PENSION PLANS (Continued)

Table 9 below presents the changes in net pension liability combined for the ATU/IBEW and Salaried Plans as of June 30, 2016:

Table 9

	ATU/IBEW and Salaried Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2015	$ 324,870,716	$ 241,322,621	$ 83,548,095
Changes for the year:			
Service Cost	9,229,246	-	9,229,246
Interest	24,818,852	-	24,818,852
Differences between expected and actual experience	(3,694,853)	-	(3,694,853)
Changes of assumptions	2,552,437	-	2,552,437
Contributions - employer	-	17,678,928	(17,678,928)
Contributions - member	-	3,943	(3,943)
Net Investment Income	-	6,741,642	(6,741,642)
Benefit Payments, including			-
refunds of employee contributions	(18,660,129)	(18,660,129)	-
Administrative Expense	-	(384,651)	384,651
Other Changes	-	-	-
Balances at 6/30/2016	$ 339,116,269	$ 246,702,354	$ 92,413,915

There are no special funding situations for either the ATU/IBEW Plan or the Salaried Plan for the fiscal year ending June 30, 2016.

9. PENSION PLANS (Continued)

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the District, calculated using the discount rate of 7.65%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's net pension liability:			
ATU/IBEW Plan	$ 72,263,500	$ 50,599,463	$ 31,919,880
Salaried Plan	54,407,706	41,814,452	31,085,470
Total	$ 126,671,206	$ 92,413,915	$ 63,005,350

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Retirement Plans for the Sacramento Regional Transit District Employees financial report. The Plan assets, for investing purposes, have been comingled to reduce investment expenses.

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The total pension expense recognized by the District for the ATU/IBEW Plan and Salaried Plan for the fiscal year ended June 30, 2016, was $8,521,691 and $6,425,424, respectively, totaling $14,947,115. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

9. PENSION PLANS (Continued)

		Deferred Outflows of Resources		Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments:				
ATU/IBEW Plan	$	37,416	$	-
Salaried Plan		-		61,855
Differences between expected and actual experience:				
ATU/IBEW Plan		-		2,206,333
Salaried Plan		-		564,807
Changes of assumptions:				
ATU/IBEW Plan		1,216,181		-
Salaried Plan		698,147		-
Total of inflows and outflows before employer contributions		1,951,744		2,832,995
Employer contributions subsequent to the measurement date of the net pension liability:				-
ATU/IBEW Plan		10,447,190		-
Salaried Plan		7,576,866		-
Total employer contributions		18,024,056		-
Total deferred inflows and outflows	$	19,975,800	$	2,832,995

Deferred outflows of resources resulting from contributions made subsequent to the measurement date in the amount of $18,024,056 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		ATU/IBEW Plan		Salaried Plan		Total
2017	$	(872,305)	$	(199,339)	$	(1,071,644)
2018		(872,305)		(199,339)		(1,071,644)
2019		(872,302)		(199,342)		(1,071,644)
2020		1,664,176		669,505		2,333,681
2021		-		-		-
Thereafter		-		-		-
Total	$	(952,736)	$	71,485	$	(881,251)

9. PENSION PLANS (Continued)

PAYABLE TO THE PENSION PLAN

At June 30, 2016, the District reported a receivable of $538,042 from the ATU/IBEW Plan and a payable of $137,839 to the Salaried Plan. The receivable from the ATU/IBEW Plan is the difference between required contributions and payments to vendors made by the District on behalf of the ATU/IBEW Plan. The payable to the Salaried Plan is for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

10. OTHER 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. The benefits are mandated by contracted agreements between the District and the respective employee groups and may be amended at any time. Employees and their dependents may become eligible for such benefits if the employees reach normal retirement age while working for the District. Medical, dental, and life insurance 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 Employers' 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.

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 annual required contribution of the employer (ARC) for all plans.

The District contributes 90% or 92% of the cost for retired members of AEA, AFSCME, and MCEG 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 782 employees and/or their beneficiaries were eligible to receive such benefits at June 30, 2016.

The District's annual OPEB cost (expense) is calculated based on the 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) investing contributed amounts and income therein, and (iii) disbursing 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.

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION – AEA, AFSCME, AND MCEG

The ARC for the fiscal year ended June 30, 2016, was determined as part of the July 1, 2015, actuarial valuation. As of June 30, 2016, the ARC was $3,545,336. 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:

Annual Required Contribution	$	3,545,336
Interest on Net OPEB Obligation		-
Adjustment to Annual Required Contribution		-
Annual OPEB Cost (Expense)		3,545,336
Contributions Made		(3,545,336)
Change 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, 2016, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2014	$ 2,657,386	100.0%	-
06/30/2015	$ 2,743,750	100.0%	-
06/30/2016	$ 3,545,336	100.0%	-

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

FUNDING STATUS AND FUNDING PROGRESS – AEA, AFSCME, AND MCEG

The funded status of the plan as of July 1, 2015, was as follows:

Actuarial Accrued Liability (AAL)	$ 47,039,361
Actuarial Value of Plan Assets	13,044,431
Unfunded Actuarial Accrued Liability (UAAL)	$ 33,994,930
Funded Ratio (Actuarial Value of Plan Assets/AAL)	27.73%
Covered Payroll (Active Plan Members)	$ 21,835,421
UAAL as a Percentage of Covered Payroll	155.69%

ANNUAL OPEB COST AND NET OPEB OBLIGATION – ATU

The ARC for the fiscal year ended June 30, 2016, was determined as part of the July 1, 2015 actuarial valuation. As of June 30, 2016, the ARC was $1,433,363. 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:

Annual Required Contribution	$ 1,433,363
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	1,433,363
Contributions Made	(1,433,363)
Change 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, 2016, and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2014	$ 565,105	100.0%	$ -
06/30/2015	$ 583,471	100.0%	$ -
06/30/2016	$ 1,433,363	100.0%	$ -

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

FUNDING STATUS AND FUNDING PROGRESS – ATU

The funded status of the plan as of July 1, 2015, was as follows:

Actuarial Accrued Liability (AAL)	$ 13,206,686
Actuarial Value of Plan Assets	2,986,285
Unfunded Actuarial Accrued Liability (UAAL)	$ 10,220,401
Funded Ratio (Actuarial Value of Plan Assets/AAL)	22.61%
Covered Payroll (Active Plan Members)	$ 23,701,185
UAAL as a Percentage of Covered Payroll	43.12%

ANNUAL OPEB COST AND NET OPEB OBLIGATION – IBEW

The ARC for the fiscal year ended June 30, 2016, was determined as part of the July 1, 2015, actuarial valuation. As of June 30, 2016, the ARC was $591,866. 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:

Annual Required Contribution	$ 591,866
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	591,866
Contributions Made	(591,866)
Change 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, 2016, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2014	$ 187,487	100.0%	$ -
06/30/2015	$ 193,581	100.0%	$ -
06/30/2016	$ 591,866	100.0%	$ -

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

FUNDING STATUS AND FUNDING PROGRESS – IBEW

The funded status of the plan as of July 1, 2015, was as follows:

Actuarial Accrued Liability (AAL)	$	4,455,773
Actuarial Value of Plan Assets		1,014,144
Unfunded Actuarial Accrued Liability (UAAL)	$	3,441,629
Funded Ratio (Actuarial Value of Plan Assets/AAL)		22.76%
Covered Payroll (Active Plan Members)	$	10,104,137
UAAL as a Percentage of Covered Payroll		34.06%

ACTUARIAL METHODS AND ASSUMPTIONS

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.

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, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.28% investment rate of return and an annual healthcare cost trend rate of 8.0% for fiscal year 2016, reduced by decrements of 0.5% a year to an ultimate rate of 4.64% at 2025 and thereafter. The actuarial valuation also includes a 3.25% salary increase annually and an inflation increase of 2.75% 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.

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Effective in the July 1, 2011, valuation, the District transitioned to a closed amortization period. The amortization payment for the fiscal year ended June 30, 2016, was developed using a 26-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 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.

11. 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, 2016:

Type of Coverage	Self-insurance Commercial Insurance Coverage (per occurrence)	Excess Coverage Self-Insured Coverage (per occurrence)
Workers' Compensation	Up to $2,000,000	$2,000,000 to $25,000,000
Commercial General Liability		
Bus	Up to $5,000,000	$5,000,000 to $290,000,000
Light Rail	Up to $5,000,000	$5,000,000 to $290,000,000
*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. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the previous year.

The claims liability of $19,871,339 reported at June 30, 2016, 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, 2016, the Public Liability and Property Damage (PLPD) liability is discounted using a discount factor of 1.0%. PLPD is discounted due to the amount the District holds in a reserve fund of $3,203,841 at June 30, 2016. The Workers' Compensation liability is not discounted.

11. SELF-INSURANCE (Continued)

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, 2016 and 2015, 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, 2016	$ 19,049,013	$ 4,330,246	$ (3,507,920)	$ 19,871,339
June 30, 2015	$ 18,823,841	$ 5,125,233	$ (4,900,061)	$ 19,049,013

12. 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 $47,492,597 at June 30, 2016. Federal, state, and local grant funds have been approved for such construction.

PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the $19.925 billion of state general obligation bonds authorized, $4.000 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 receipts are included as part of Proposition 1B state and local capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position. PTMISEA activity for the fiscal year ended June 30, 2016, was as follows:

Balance July 1, 2015	$ -
Receipts	12,658,336
Expenses:	
LRT Crossing Enhancements	(45,293)
UTDC Retrofit	(6,574,327)
Bus Maintenance Facility	(36,447)
ADA Transit Plan Improvements	(9,274)
South Line Phase 2 Extension	(1,514,973)
Siemens Mid-Life Overhaul	(143)
Siemens E&H Ramp Replacement	(80,094)
Retrofit LR Vehicle Hoist	(1,130)
Connect Card	(5,936)
29th Street Station Enhancements	(3,289)
Replace Non-Revenue Vehicles	(242,486)
Downtown/Riverfront Streetcar	(215,572)
CNG Bus Replacement 40'	(3,870,383)
Fare Box Replacement	(58,989)
Balance June 30, 2016	**$ -**

Required Supplementary Information (Other than MD&A)

SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

EMPLOYEES WHO ARE MEMBERS OF ATU/IBEW PLAN

	2016	2015
Total pension liability		
Service cost	$ 5,753,143	$ 5,599,479
Interest	16,384,487	15,740,342
Difference between expected and actual returns	(2,941,777)	-
Changes of assumptions	1,621,574	-
Transfers out - Salaried Plan	-	(174,166)
Benefit payments, including refunds of member contributions	(13,157,985)	(12,877,177)
Net change in total pension liability	7,659,442	8,288,478
Total pension liability - beginning	215,046,075	206,757,597
Total pension liability - ending	$ 222,705,517	$ 215,046,075
Plan fiduciary net position		
Contributions - employer	$ 10,343,620	$ 9,711,107
Contributions - member	3,682	22,425
Net investment income	4,609,506	22,631,819
Transfers out - salaried plan	-	(174,166)
Benefit payments, including refunds of member contributions	(13,157,985)	(12,877,177)
Administrative expense	(190,442)	(230,365)
Net change in plan fiduciary net position	1,608,381	19,083,643
Plan fiduciary net position - beginning	170,497,673	151,414,030
Plan fiduciary net position - ending	$ 172,106,054	$ 170,497,673
Net pension liability - ending	$ 50,599,463	$ 44,548,402
Plan fiduciary net position as a percentage of the total pension liability	77.28%	79.28%
Covered employee payroll	$ 37,950,269	$ 38,857,668
Net pension liability as a percentage of covered employee payroll	133.33%	114.65%

Notes to Schedule:

Benefit changes – There were no substantial changes to the benefits in FY2016.

Changes of assumptions – the investment rate of return and discount rate was reduced from 7.75% to 7.65%, the amortization growth rate decreased from 3.25% to 3.15%, the inflation rate decreased from 3.25% to 3.15%, and the salary increases rate decreased from 3.25% to 3.15% during the year ended June 30, 2015, which is the measurement year for reporting. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

SALARIED PLAN

	2016	2015
Total pension liability		
Service cost	$ 3,476,103	$ 3,321,337
Transfers In - ATU/IBEW plan	-	174,166
Interest (includes interest on service cost)	8,434,365	7,978,675
Difference between expected and actual returns	(753,076)	-
Changes of assumptions	930,863	-
Benefit payments, including refunds of member contributions	(5,502,144)	(5,664,400)
Net change in total pension liability	6,586,111	5,809,778
Total pension liability - beginning	109,824,641	104,014,863
Total pension liability - ending	$ 116,410,752	$ 109,824,641
Plan fiduciary net position		
Contributions - employer	$ 7,335,308	$ 6,609,083
Contributions - member	261	1,678
Transfers in - ATU/IBEW plan	-	174,166
Net investment income	2,132,136	9,297,544
Benefit payments, including refunds of member contributions	(5,502,144)	(5,664,400)
Administrative expense	(194,209)	(176,367)
Net change in plan fiduciary net position	3,771,352	10,241,704
Plan fiduciary net position - beginning	70,824,848	60,583,144
Plan fiduciary net position - ending	$ 74,596,200	$ 70,824,848
Net pension liability - ending	$ 41,814,552	$ 38,999,793
Plan fiduciary net position as a percentage of the total pension liability	64.08%	64.49%
Covered employee payroll	$ 23,022,281	$ 22,008,809
Net pension liability as a percentage of covered employee payroll	181.63%	177.20%

Notes to Schedule:

Benefit changes – There were no substantial changes to the benefits in FY2016.

Changes of assumptions – the investment rate of return and discount rate was reduced from 7.75% to 7.65%, the amortization growth rate decreased from 3.25% to 3.15%, the inflation rate decreased from 3.25% to 3.15%, and the salary increases rate decreased from 3.25% to 3.15% during the year ended June 30, 2015, which is the measurement year for reporting. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST 10 FISCAL YEARS

EMPLOYEES WHO ARE MEMBERS OF ATU/IBEW PLAN
(Dollar amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 10,447	$ 10,343	$ 9,711	$ 8,694	$ 7,885	$ 6,809	$ 7,426	$ 6,970	$ 7,681	$ 7,088
Contributions in relation to the actuarially determined contribution	10,447	10,343	9,711	8,694	7,885	6,809	7,426	6,970	7,681	7,088
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	39,996	37,950	38,858	37,110	38,558	38,343	43,626	44,916	44,718	42,897
Contributions as a percentage of covered-employee payroll	26.12%	27.25%	24.99%	23.43%	20.45%	17.76%	17.02%	15.52%	17.18%	16.52%

Note: This schedule uses covered payroll which is different than actual payroll and therefore the contributions as a percentage of covered payroll will differ from what was actually contributed.

Notes to Schedule:

Valuation Date	7/1/2014 (to determine FY15-16 contribution)
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year

Key methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed 19 year period as of 6/30/2013
Asset valuation method	5-year smoothed market
Discount Rate	7.75%
Amortization growth rate	3.25%
Price inflation	3.25%
Salary Increases	3.25%, plus merit component on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined White Collar Mortality, 3 year setback for females
Other information:	A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2016, can be found in the July 1, 2014 actuarial valuation report.

SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST 10 FISCAL YEARS

SALARIED PLAN
(Dollar amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 7,577	$ 7,335	$ 6,609	$ 5,800	$ 4,580	$ 3,718	$ 4,269	$ 3,820	$ 4,123	$ 3,694
Contributions in relation to the actuarially determined contribution	7,577	7,335	6,609	5,800	4,580	3,718	4,269	3,820	4,123	3,694
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	24,342	23,002	22,009	19,627	19,105	19,466	22,602	21,115	21,929	21,363
Contributions as a percentage of covered-employee payroll	31.13%	31.89%	30.03%	29.55%	23.97%	19.10%	18.89%	18.09%	18.80%	17.29%

Note: This schedule uses covered payroll which is different than actual payroll and therefore the contributions as a percentage of covered payroll will differ from what was actually contributed.

Notes to Schedule:

Valuation Date	7/1/2014 (to determine FY15-16 contribution)
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year

<u>Key methods and assumptions used to determine contribution rates:</u>

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed 19 year period as of 6/30/2013
Asset valuation method	5-year smoothed market
Discount Rate	7.65%
Amortization growth rate	3.25%
Price inflation	3.25%
Salary Increases	3.25%, plus merit component on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined White Collar Mortality, 3 year setback for females
Other information	A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2016, can be found in the July 1, 2014 actuarial valuation report.

SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
AS OF JUNE 30, 2016

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)
07/01/2011	7,581,083	33,126,230	25,545,147	22.89%	18,833,173	135.64%
07/01/2013	10,564,908	37,074,015	26,509,107	28.50%	21,203,620	125.02%
07/01/2015	13,044,431	47,039,361	33,994,930	27.73%	21,835,421	155.69%

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)
07/01/2011	384,527	7,591,486	7,206,959	5.07%	23,350,887	30.86%
07/01/2013	2,191,062	6,661,707	4,470,645	32.89%	23,626,704	18.92%
07/01/2015	2,986,285	13,206,686	10,220,401	22.61%	23,701,185	43.12%

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%	$ 10,237,545	19.60%
07/01/2013	762,342	1,876,037	1,113,695	40.64%	10,093,613	11.03%
07/01/2015	1,014,144	4,455,773	3,441,629	22.76%	10,104,137	34.06%

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

Combining Statements - Fiduciary Funds

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2016

	ATU/IBEW	Salaried	Total
ASSETS			
Assets:			
Cash and Cash Equivalents	$ 4,559,094	$ 2,004,465	$ 6,563,559
Receivables:			
Securities Sold	2,571,938	1,054,136	3,626,074
Interest and Dividends	272,803	114,090	386,893
Other Receivables and Prepaids	28,758	164,130	192,888
Total Receivables	2,873,499	1,332,356	4,205,855
Investments:			
Equity Securities	104,654,815	49,118,441	153,773,256
Fixed Income Securities	65,711,732	26,721,665	92,433,397
Total Investments	170,366,547	75,840,106	246,206,653
Total Assets	177,799,140	79,176,927	256,976,067
LIABILITIES			
Liabilities:			
Securities Purchased Payable	9,037,058	3,720,412	12,757,470
Accounts Payable	747,062	119,496	866,558
Total Liabilities	9,784,120	3,839,908	13,624,028
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 168,015,020	$ 75,337,019	$ 243,352,039

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2016

	ATU/IBEW	Salaried	Total
ADDITIONS			
Contributions:			
Employer	$ 10,447,190	$ 7,576,866	$ 18,024,056
Member	54,714	21,014	75,728
Total Contributions	10,501,904	7,597,880	18,099,784
Investment Income:			
Net Decrease in Fair Value of Investments	(2,920,947)	(1,169,412)	(4,090,359)
Interest, Dividends, and Other Income	2,537,731	1,097,799	3,635,530
Investment Expenses	(738,201)	(324,943)	(1,063,144)
Net Investment Gain	(1,121,417)	(396,556)	(1,517,973)
Total Additions	9,380,487	7,201,324	16,581,811
DEDUCTIONS			
Benefits Paid to Participants	13,180,874	6,190,981	19,371,855
Administrative Expenses	290,647	269,624	560,271
Total Deductions	13,471,521	6,460,605	19,932,126
Net Increase/(Decrease) in Net Position	(4,091,034)	740,719	(3,350,315)
Net Position Held in Trust for Pension Benefits - July 1	172,106,054	74,596,300	246,702,354
Net Position Held in Trust for Pension Benefits - June 30	$ 168,015,020	$ 75,337,019	$ 243,352,039

Statistical Section
(Unaudited)

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

CONTENTS **Page**

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

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

Fiscal Year

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Position										
Net Investment in Capital Assets	$ 743,350	$ 752,243	$ 771,045	$ 770,304	$ 778,152	$ 787,711	$ 799,650	$ 798,019	$ 864,160	$ 878,849
Restricted for:										
Capital Projects	1,928	1,699	2,580	1,841	1,840	4,474	2,845	1,211	1,751	-
Debt Service	-	-	-	-	-	-	2,278	2,279	1,829	1,831
Unrestricted	9,882	2,695	1,446	(2,093)	(4,287)	(526)	1,689	31,723	(48,259)	(50,474)
Total Net Position	$ 755,160	$ 756,637	$ 775,071	$ 770,052	$ 775,705	$ 791,658	$ 806,463	$ 833,232	$ 819,481	$ 830,205

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenues										
Fares	$ 27,101	$ 29,866	$ 32,571	$ 30,864	$ 28,967	$ 28,964	$ 29,759	$ 29,157	$ 28,396	$ 28,056
Operating Expenses										
Labor and Fringe Benefits	85,887	93,780	91,580	91,203	79,366	82,209	88,064	94,755	93,182	99,692
Professional and Other Services	23,613	26,505	26,584	24,797	20,720	21,417	24,996	26,130	27,533	29,332
Spare Parts and Supplies	14,941	12,188	12,950	11,044	8,524	9,785	10,517	11,996	10,549	8,526
Utilities	4,944	5,550	5,545	5,531	5,741	5,587	5,639	5,646	5,816	6,288
Casualty and Liability Costs	9,774	11,159	7,104	2,286	6,540	6,353	7,910	8,343	7,906	7,160
Depreciation and Amortization	28,434	28,445	30,699	30,870	31,238	31,392	31,380	33,982	34,128	39,925
Indirect Costs Allocated to Capital Programs	-	-	(2,172)	(863)	(881)	(824)	(763)	(887)	(1,204)	(1,038)
Other	1,971	1,896	1,680	1,402	1,547	1,492	1,396	1,460	1,541	1,434
Total Operating Expenses	169,564	179,524	173,970	166,270	152,795	157,411	169,139	181,426	179,450	191,318
Operating Loss	(142,462)	(149,658)	(141,399)	(135,407)	(123,828)	(128,447)	(139,380)	(152,269)	(151,054)	(163,263)
Non-Operating Revenues (Expenses)										
Operating Assistance:										
State and Local	92,839	84,558	70,725	58,135	58,109	69,132	72,723	78,318	80,350	81,518
Federal	21,011	22,804	30,788	34,552	27,374	28,670	31,007	32,620	32,764	36,156
Investment Income	7,908	8,145	8,911	6,439	4,113	2,456	1,755	1,941	1,996	2,129
Interest Expense	(7,900)	(7,951)	(9,154)	(6,792)	(4,401)	(2,722)	(2,522)	(3,223)	(2,982)	(3,675)
Pass Through to Subrecipients	(1,791)	(1,378)	(478)	(3,638)	(4,043)	(4,216)	(1,672)	(3,401)	(2,933)	(2,030)
Contract Services	5,295	4,732	4,311	4,599	4,362	5,245	5,607	5,530	5,810	6,110
Other	891	4,336	3,304	2,758	3,946	2,485	3,414	2,863	4,193	5,325
Total Non-Operating Revenues	118,253	115,246	108,407	96,052	89,461	101,049	110,310	114,648	119,197	125,533
Loss Before Capital Contributions	(24,209)	(34,412)	(32,992)	(39,355)	(34,367)	(27,398)	(29,071)	(37,620)	(31,857)	(37,730)
Capital Contributions										
State and Local	21,267	29,606	42,441	29,381	36,482	33,474	34,389	15,878	25,635	18,376
Federal	28,082	4,575	8,985	4,955	3,538	10,016	9,331	48,512	74,926	30,078
Position before Special Item	25,141	(230)	18,433	(5,019)	5,653	16,092	14,650	26,769	68,704	10,724
Extraordinary (Loss) Gain on Early Extinguishment of Debt	-	-	-	-	-	-	155	-	-	-
Special Items	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Position after Special Item	$ 25,141	$ (230)	$ 18,433	$ (5,019)	$ 5,653	$ 16,092	$ 14,805	$ 26,769	$ 68,704	$ 10,724

Source: Comprehensive Annual Financial Report

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

Operating Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Farebox	Fare Prepayment/ Outlet Sales	Special/ Contracted	Other	Total
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
2014	8,069,001	19,305,312	1,771,265	11,342	29,156,920
2015	8,047,861	18,514,485	1,822,565	11,191	28,396,102
2016	7,423,668	18,304,088	2,320,645	7,403	28,055,804

Source: Comprehensive Annual Financial Report

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

Principal Fare Revenue Payers
Current Year and Nine Years Ago

	Fiscal Year 2016 Sales		Fiscal Year 2007 Sales	
Customers	Amount	%	Amount	%
Department of Human Assistance	$ 2,121,700	7.56%	$ 1,273,000	6.85%
Los Rios Community College District	1,708,243	6.09%	-	
Raley's Family of Fine Stores	1,025,455	3.66%	278,980	1.50%
California State University Sacramento	749,760	2.67%	-	
Alta California Regional Center	881,400	3.14%	772,446	4.16%
Health & Human Services	843,853	3.01%	869,818	4.68%
Department of Transportation	821,440	2.93%	875,498	4.71%
California Environmental Protection Agency	792,288	2.82%	704,668	3.79%
Employment Development Department	736,310	2.62%	881,043	4.74%
Franchise Tax Board	620,813	2.21%	720,166	3.87%
County of Sacramento	514,695	1.83%	-	0.00%
Water Resources Department	432,838	1.54%	481,640	2.59%
Board of Equalization	426,175	1.52%	467,594	2.52%
Subtotal (10 Largest)	11,674,970	41.61%	7,324,853	39.40%
Balance from other customers	16,380,835	58.39%	11,264,922	60.60%
Grand Total	$ 28,055,804	100.00%	$ 18,589,775	100.00%

Grand Total Source: Comprehensive Annual Financial Report

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Farebox Revenue Bonds Series 2012	Lease/ Leaseback Payable	Certificates of Participation 2003	Notes Payable	Total Debt	Six-County Region Percentage of Personal Income	Six-County Region Per Capita
2007	-	119,960,064	14,387,541	-	134,347,605	0.02%	59.82
2008	-	190,508,944	12,841,557	-	203,350,501	0.01%	89.43
2009	-	146,527,940	11,235,574	-	157,763,514	0.01%	68.63
2010	-	100,681,155	9,554,590	-	110,235,745	0.01%	47.48
2011	-	57,411,268	7,788,606	-	65,199,874	0.01%	28.01
2012	-	35,482,912	5,942,622	8,230,039	49,655,573	0.01%	21.21
2013	95,000,484	33,351,437	-	8,642,509	136,994,430	0.09%	58.03
2014	92,006,633	35,062,503	-	13,988,074	141,057,210	0.08%	59.30
2015	88,927,782	36,861,364	-	13,988,074	139,777,220	Not available	58.13
2016	87,113,931	38,752,526	-	13,988,074	139,854,531	Not available	57.34

Source: Comprehensive Annual Financial Report

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Fare Revenue	Non-Fare Revenues	Total Revenue	Less Operating Expense	Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
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	109,004,025	138,762,704	136,103,794	2,658,910	5,740,000	2,347,098	0.33
2014	29,156,920	115,299,629	144,456,549	144,777,141	(320,592)	2,710,000	4,123,100	(0.05)
2015	28,396,102	119,886,619	148,282,721	146,515,212	1,767,509	2,795,000	4,041,800	0.26
2016	28,055,804	126,809,242	154,865,046	152,830,940	2,034,106	1,530,000	3,957,950	0.37

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.

A portion of the 2012 Revenue Bond interest is funded with Federal Capital Revenue

Capital revenue has been excluded from this schedule.

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
2007	1,381,161	2,245,937	$52,398,021	$89,640,379	$ 37,938	$ 39,912	5.4%	5.6%
2008	1,394,438	2,273,938	54,201,689	92,850,770	38,870	40,833	7.2%	7.4%
2009	1,408,601	2,298,630	53,647,258	91,256,534	38,085	39,700	11.0%	11.2%
2010	1,421,838	2,321,586	54,673,384	93,027,519	38,453	40,071	12.6%	12.7%
2011	1,435,601	2,343,077	57,564,251	98,356,847	40,098	41,978	12.1%	12.2%
2012	1,448,771	2,362,701	60,721,694	103,852,374	41,913	43,955	10.5%	10.7%
2013	1,463,149	2,386,163	62,440,643	107,078,307	42,676	44,875	8.9%	9.0%
2014	1,482,026	2,414,210	65,126,187	111,467,353	43,944	46,171	7.3%	7.4%
2015	1,481,803	2,417,548	Not available	Not available	Not available	Not available	6.0%	6.1%
2016	1,495,297	2,439,051	Not available	Not available	Not available	Not available	5.5%	5.6%

Source: Six-county region includes Sacramento, Placer, Yolo, El Dorado, Yuba and Sutter counties.
1. 2007-2014 U.S. Department of Commerce, Bureau of Economic Analysis, *CA1-3 Personal income population, per capital personal income.*
2. 2015-2016 State of California, Department of Finance, E-1 City, County and State Population Estimates, 2015–2016.
3. State of California, Employment Development Department, Labor Force & Employment Data

Principal Employers
Current Year and Nine Years Ago

	Fiscal Year 2016			Fiscal Year 2007		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of California	73,676	1	11.27%	60,045	1	8.58%
Sacramento County	11,950	2	1.83%	14,488	2	2.07%
UC Davis Health System	10,145	3	1.55%	7,901	3	1.13%
U.S. Government	10,007	4	1.53%			
Sutter Health	8,905	5	1.36%	7,140	4	1.02%
Kaiser Permanente	8,885	6	1.36%	6,905	6	0.99%
Dignity Health	7,853	7	1.20%			0.00%
Intel Corporation	6,000	8	0.92%	6,800	7	0.97%
Elk Grove Unified School District	5,863	9	0.90%			
City of Sacramento	4,300	10	0.66%	5,230	10	0.75%
Sacramento City Unified School District				7,000	5	1.00%
Los Rios Community College District				6,000	8	0.86%
San Juan Unified School District				5,775	9	0.83%
Total	147,584		22.58%	127,284		18.20%

Source: Sacramento Business Journal

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 2016 CAFR Page No.	FY 2016 Adopted Budget Page No.
1	Management Discussion and Analysis, Audited Financial Statements and Statistical Information	4-102	
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)	89,90,91,92	
	Historical Operating Results	14,77,78	
	Farebox Recovery Ratios (ii)	44,89	
	Historical Nonoperating Revenues – 10 year funds (iii)	78,88	
	Measure A Sales Tax Funding Trends (iv)	43,88	
	LTF Revenues claimed and expended by the District (v)	43,88	
	STA Funds Claimed and Utilized by the District (vi)	43,88	
	Federal Grant Funds Utilized by the District (v)	42,87	
	Adopted Operating Budget (vi)		37
	Capital Project Expediture Plan		118

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 2016 CAFR Page No.
Punctual Payments	43	40
Application of Farebox Revenues	44	14

DISTRICT PROFILE
As of June 30, 2016

Date the Authority began Operations	April 1, 1973
Form of Governance	Board of Directors, with General Manager
Metropolitan Population	1.4 million
Total Employees	982
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	69
Number of Rail Lines	3
Miles of Rail	42.9
Weekday Bus Revenue Service Miles	20,833
Weekday Rail Revenue Service Miles	14,707
Average Weekday Bus and Rail Riders	83,687
Number of Vehicles in Service	211 CNG Buses 87 Rail Vehicles 29 Shuttle Vans
Paratransit	102 Paratransit Vehicles
Park and Ride Lots	22
Bus and Light Rail Transfer Stations	32
Bus Stops	3,100+
Rail Stations	53

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									
	Section 5307	Section 5309 Fixed Guideway	Section 5309 Bus	Section 5309 New Start	Section 5316/5317 JARONF	Federal Highway Discretionary Funds	Section 5339	Section 5337	ARRA	Other
2004	$ 13,875,713	$ 3,116,717	$ 491,130	$ -	$ 736,770	$ 3,173,607			$ -	$ -
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
2014	19,877,317	-	-	45,660,000	318,239	21,071,200	794,629	10,004,225	-	247,500
2015	19,679,867	-	-	-	0	-	1,093,451	10,011,827	-	29,029
2016	19,579,876	-	-	-	-	6,386,370	2,092,903	11,487,417	-	100,430

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: A portion of the funds distributed by formula and a portion of the funds are distributed through a competitive process. Funds are used 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	Other
2007	-	70,000	43,775,228	39,400,100	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	
2014		2,718,257	33,972,533	34,608,256	9,520,611	50,000
2015		10,702,271	36,131,514	36,098,557	8,869,049	1,506,854
2016	-	8,867,914	36,914,890	36,950,479	7,049,491	718,691

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.

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, Proposition 1B funds approved for funding in FY 2007, and Cap-and-Trade Program funds.

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.

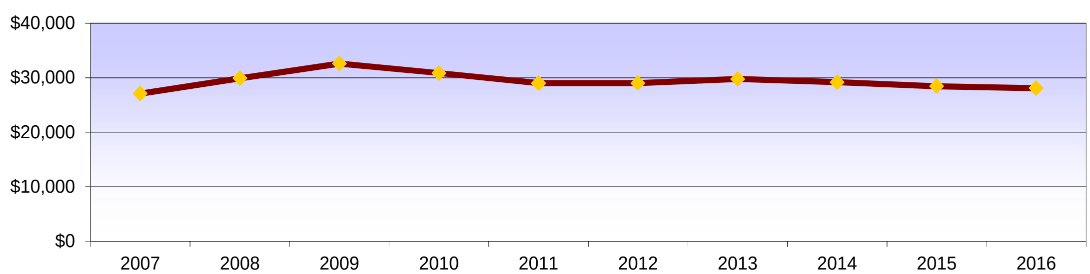
Other: This funding is from City of Sacramento, City of Rancho Cordova, County of Sacramento, City of Roseville, Sacramento Area Council of Governments (SACOG) and Sacramento Housing, Redevelopment Agency (SHRA), Bus Fire Insurance Proceeds, and cost reimbursement agreements with local agencies.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

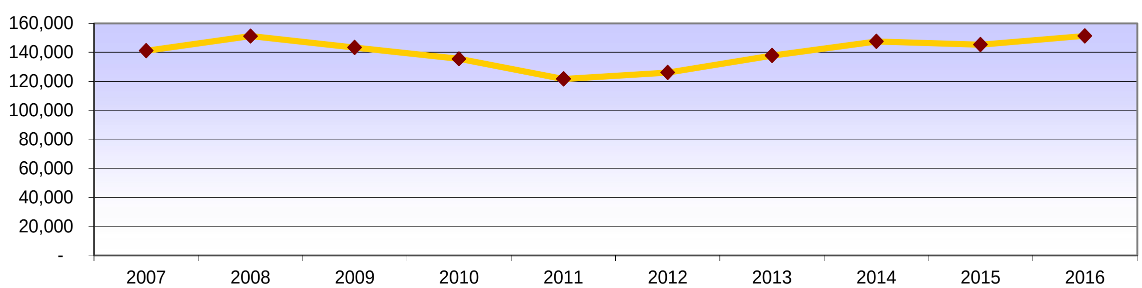
FARE RECOVERY
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fare Revenue	$27,101	$29,866	$32,571	$30,864	$28,967	$28,964	$29,759	$29,156	$28,396	$28,056
Local Fund Supplementation	8,887	8,659	3,963	3,663	2,030	3,171	5,370	8,441	8,661	6,765
Total Operating Expenses	141,129	151,079	143,271	135,400	121,557	126,019	137,759	147,443	145,323	151,394
Fare Recovery Ratio	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	23.0%

FARE REVENUE



TOTAL OPERATING EXPENSES



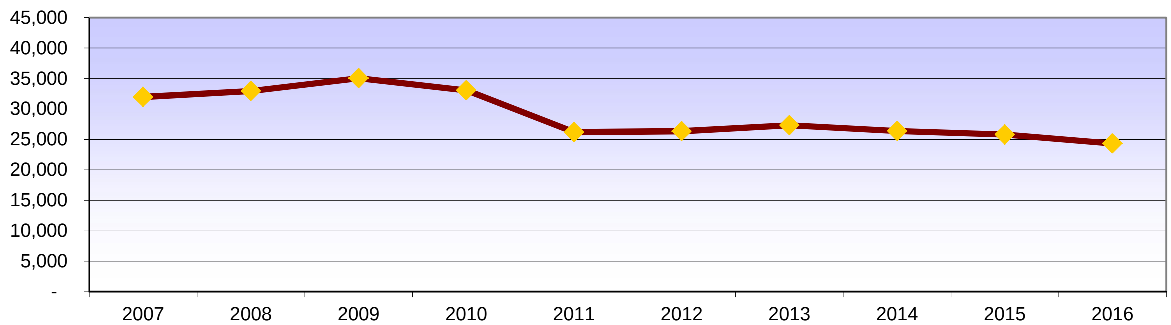
Source: Comprehensive Annual Financial Report

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

RIDERSHIP
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ridership	31,951	32,951	35,050	33,060	26,161	26,338	27,298	26,368	25,768	24,330
% change	2.31%	3.13%	6.37%	(5.68%)	(20.87%)	0.68%	3.64%	(3.41%)	(2.28%)	(5.58%)

RIDERSHIP



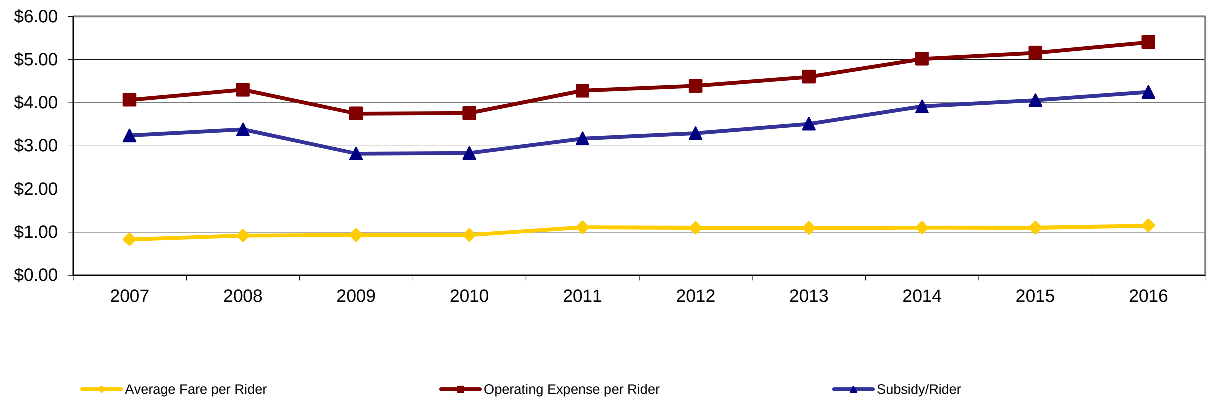
Source: District Planning Department
NTD Statistics

OPERATING SUBSIDY
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Average Fare per Rider	$0.83	$0.92	$0.93	$0.93	$1.11	$1.10	$1.09	$1.11	$1.10	$1.15
Operating Expense per Rider [1]	$4.07	$4.30	$3.75	$3.76	$4.28	$4.39	$4.60	$5.02	$5.16	$5.41
Subsidy/Rider	$3.24	$3.38	$2.82	$2.83	$3.17	$3.29	$3.51	$3.92	$4.06	$4.25

[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

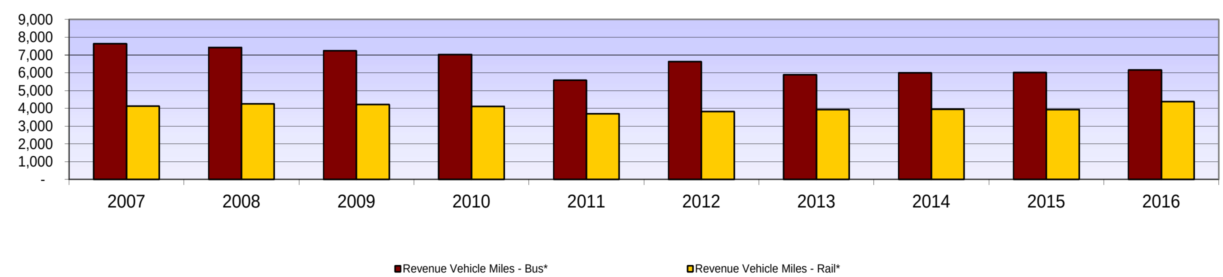
SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

SERVICE PROVIDED

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
BUS										
Revenue Vehicle Miles - Bus*	7,638	7,431	7,244	7,032	5,590	6,632	5,893	6,002	6,023	6,152
Revenue Vehicle Hours*	702.8	677.7	652.0	628.2	501.2	506.0	532.0	548.0	549.8	558.0
# Vehicles	269	271	271	233	229	229	232	232	232	223
RAIL										
Revenue Vehicle Miles - Rail*	4,128	4,267	4,213	4,120	3,697	3,823	3,921	3,947	3,936	4,370
Revenue Vehicle Hours*	209.7	216.7	213.1	208.6	191.1	203.3	217.2	218.6	218.1	245.2
Train Revenue Hours*	81.6	81.9	81.7	81.4	69.3	70.0	82.0	83.2	83.2	93.0
# of Vehicles	76	76	76	76	76	76	76	76	76	87

SERVICE PROVIDED



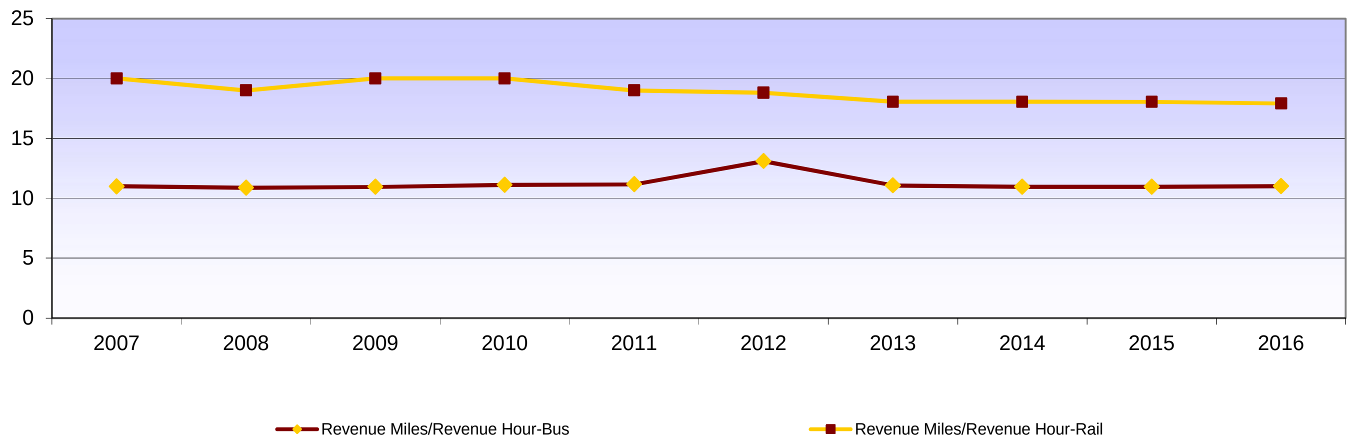
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
BUS										
Passengers*	17,461	17,466	17,735	17,579	13,617	13,146	13,784	13,658	13,706	12,114
Passenger Miles*	54,551	57,444	59,001	61,417	47,525	46,521	49,440	53,133	52,346	43,911
RAIL										
Passengers*	14,490	15,485	17,315	15,481	12,544	13,192	13,513	12,710	12,062	12,216
Passenger Miles*	78,760	85,807	93,087	83,409	72,860	74,706	75,797	74,580	68,717	69,171
TOTAL										
Passengers*	31,951	32,951	35,050	33,060	26,161	26,338	27,298	26,368	25,768	24,330
Passenger Miles*	133,311	143,251	152,088	144,826	120,385	121,227	125,237	127,713	121,063	113,082
FLEET										
Bus	269	271	271	233	229	229	232	232	232	223
Rail	76	76	76	76	76	76	76	76	76	87
TOTAL EMPLOYEES	1,162	1,125	1,087	907	901	901	940	933	937	982

Source: District Planning Department; NTD Statistics

SERVICE PERFORMANCE DATA (Continued)
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue Miles/Revenue Hour-Bus	11	11	11	11	11	13	11	11	11	11
Revenue Miles/Revenue Hour-Rail	20	19	20	20	19	19	18	18	18	18

SERVICE PERFORMANCE DATA



Source: District Planning Department; NTD Statistics

FARES
As of June 30, 2016

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.*

Note: The District implemented a Fare increase effective July 1, 2016. See sacrt.com for further details.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

PERFORMANCE MEASURES

Performance Measures in Sacramento's Peer Transit Agencies						
City, State	**2010 Urban Area Population**	**2014 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)**	**$ 5.71 (3)**	**$ 12.98 (3)**	**$ 142.09 (3)**	**$ 4.60 (3)**	**19.4% (6)**
Buffalo, NY	935,906 (46)	4.42 (6)	11.22 (6)	122.58 (5)	2.99 (6)	32.3% (1)
Charlotte, NC	1,249,442 (38)	3.10 (7)	7.29 (8)	95.58 (8)	2.16 (7)	30.3% (2)
Columbus, OH	1,368,035 (36)	5.10 (5)	9.17 (7)	110.51 (7)	4.04 (5)	20.8% (4)
Long Beach, CA	12,150,996 (2)	2.76 (8)	11.62 (5)	115.70 (6)	2.14 (8)	22.5% (3)
San Carlos, CA	3,281,212 (13)	7.23 (2)	14.10 (2)	189.38 (1)	5.75 (2)	20.4% (5)
San Jose, CA	1,664,496 (29)	7.25 (1)	15.88 (1)	188.64 (2)	6.38 (1)	12.0% (8)
Tacoma, WA	3,059,393 (14)	5.24 (4)	12.17 (4)	139.13 (4)	4.37 (4)	16.5% (7)
Average for Bus Peers	**3,387,069**	**5.01**	**11.64**	**137.36**	**3.98**	**22.1%**
RAIL PEERS						
Sacramento, CA	**1,723,634 (28)**	**4.31 (3)**	**13.92 (4)**	**251.29 (3)**	**3.21 (3)**	**25.6% (5)**
Dallas, TX	5,121,892 (6)	5.60 (2)	26.58 (1)	364.71 (1)	4.65 (2)	16.9% (6)
Denver, CO	2,374,203 (18)	3.88 (4)	9.16 (5)	156.90 (5)	2.48 (4)	36.0% (4)
Portland, OR	1,849,898 (24)	2.83 (5)	14.00 (3)	204.43 (4)	1.62 (5)	42.9% (2)
Salt Lake City, UT	1,021,243 (42)	2.60 (6)	8.03 (7)	154.43 (6)	1.61 (6)	38.1% (3)
San Diego, CA	2,956,746 (15)	1.80 (7)	8.41 (6)	142.02 (7)	0.79 (7)	56.1% (1)
San Jose, CA	1,664,496 (29)	6.82 (1)	22.03 (2)	341.47 (2)	5.94 (1)	13.0% (7)
Average for Rail Peers	**2,498,080**	**2.42**	**14.70**	**227.33**	**2.85**	**33.8%**
Source: National Transit Database, 2014 Transit Profiles - All Agencies						

In 2014 the Sacramento urban area, ranked 28th in the US based on population. Table 1 compares the District's 2014 performance to 7 other bus peer transit properties and 6 other rail peer transit properties. This table indicates the following:

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

<u>Rail</u>
The District ranks 3rd in Cost per Passenger, Cost per Revenue Hour and Subsidy per Passenger among its Rail peer transit agencies.
The District ranks 4th in Cost per Revenue Mile among its Rail peer transit agencies.
The District ranks 5th in Farebox Recovery Ratio among its Rail peer transit agencies.

Regional Transit

Sacramento Regional Transit District

Finance Division

1400 29th Street
P.O. Box 2110
Sacramento, CA 95812-2110
916-321-2800
sacrt.com

Attachment 4

SACRAMENTO REGIONAL TRANSIT DISTRICT
Sacramento, California

REPORTS REQUIRED BY UNIFORM GUIDANCE
AND TRANSPORTATION DEVELOPMENT ACT
Year ended June 30, 2016

SACRAMENTO REGIONAL TRANSIT DISTRICT
Sacramento, California

REPORTS REQUIRED BY UNIFORM GUIDANCE
AND TRANSPORTATION DEVELOPMENT ACT
Year ended June 30, 2016

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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 fiduciary activities of Sacramento Regional Transit District (the District) as of and for the year ended June 30, 2016, 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 18, 2016.

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 a 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.

Compliance and Other Matters

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

(Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 18, 2016

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

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 Sacramento Regional Transit District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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 each of its major federal programs for the year ended June 30, 2016.

(Continued)

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 types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the fiduciary activities of the District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise The District's basic financial statements. We issued our report thereon dated November 18, 2016, 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 purposes of additional analysis as required by the Uniform Guidance 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 18, 2016

SACRAMENTO REGIONAL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2016

Federal Grantor/ Program or Cluster Title	CFDA Number	Grant Pass-Through Number	Federal Expenditures	Passed Through to Subrecipients
Department of Transportation				
Federal Transit Administration				
Highway Planning and Construction Cluster:				
Direct Programs:				
Highway Planning and Construction Grant	20.205	n/a	$ 6,164	$ -
Federal Transit Cluster:				
Direct Programs:				
Federal Transit – Capital Investment Grants	20.500	n/a	15,187,067	661,156
Federal Transit – Formula Grants	20.507	n/a	37,588,255	630,096
State of Good Repair Grants Program	20.525	n/a	11,499,470	-
Bus and Bus Facilities Formula Program	20.526	n/a	1,858,949	738,269
Passed through Sacramento Area Council of Governments:				
Federal Transit – Formula Grants	20.507	Not provided	14,583	
Total Federal Transit Cluster			66,148,324	2,029,521
Transit Services Programs Cluster:				
Passed through Sacramento Area Council of Governments:				
New Freedom Program	20.521	Not provided	50,020	
Total Department of Transportation			66,204,508	2,029,521
Department of Homeland Security				
Direct Programs:				
Rail and Transit Security Grant Program	97.075	EMW-2014-RA-00009	29,029	-
Total Expenditures of Federal Awards			$ 66,233,537	$ 2,029,521

See accompanying notes to the schedule of expenditures of federal awards.

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District, for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 - MATCHING COSTS

Matching costs, i.e., the nonfederal share of program costs, are not included in the accompanying Schedule of Expenditures of Federal Awards.

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	X No
Significant deficiency(ies) identified?	_____ Yes	X None reported
Noncompliance material to financial statements noted?	_____ Yes	X No

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	_____ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	X None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	X No
Identification of major federal programs:		
CFDA Numbers		
20.500 / 20.507 / 20.525 / 20.526	Federal Transit Cluster	
Dollar threshold used to distinguish between type A and type B programs:	$ 1,987,006	
Auditee qualified as low-risk auditee?	X Yes	_____ No

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE STATE OF CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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 with State of California Transportation Development Act

We have audited Sacramento Regional Transit District's (the District) compliance with the types of compliance requirements described in the Transportation Development Act (TDA) Guidebook and to determine that TDA funds allocated to and received by the District were expended in conformance with applicable statutes, rules and regulations of the TDA and the allocation instructions and resolutions of the Sacramento Area Council of Governments as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations; the Memorandum of Understanding for Proposition 1B Transit Security Bridge Funding; Public Transportation Modernization, Improvement, and Service Enhancement Account Guidelines (PTMISEA); Proposition 1B Transit Modernization Bridge Funding, and Low Carbon Transit Operations Program (LCTOP) Funding (Collectively "Transportation Development Act"), that could have a direct and material effect on the District's compliance with the State of California Transportation Development Act for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the State of California Transportation Development Act.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's Transportation Development Act 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 the Transportation Development Act. Those standards 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 the Transportation Development Act 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 the Transportation Development Act program. However, our audit does not provide a legal determination of the District's compliance.

(Continued)

Opinion on the Transportation Development Act 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 the Transportation Development Act program for the year ended June 30, 2016.

This report is intended solely for the information and use of the District, the Sacramento Area Council of Governments, and others providing TDA funds to the District and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 18, 2016

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

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the District for further information on the responsibilities of management and of Crowe Horwath LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of the District's 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 or disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters will be discussed during our meeting with you.

- How we addressed the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- Where the entity has an internal audit function, the extent to which the auditor used the work of internal audit, and how the external and internal auditors best work together.
- Your views and knowledge about matters you consider warrant our attention during the audit, as well as your views on:
    - The allocation of responsibilities between you and management.

- The entity's objectives and strategies, and the related business risks that may result in material misstatements.
- Significant communications with regulators.
- Other matters you believe are relevant to the audit of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: The Board of Directors should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the Board of Directors should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform the Board of Directors about such matters. To assist the Board of Directors in its oversight role, we also provide the following.

Accounting Standard	Impact of Adoption
GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement.	Adoption of this Statement did not have a material impact on the District's financial position or results of operations.
GASB Statement No. 72, Fair Value Measurement and Application. This Statement defines fair value, provides guidance on different valuation approaches, establishes a hierarchy of inputs used to measure fair value, and requires additional disclosures to be made about fair value measurements.	Adoption of this Statement did not have a material impact on the District's financial position or results of operations.
Significant Unusual Transactions.	No such matters noted
Significant Accounting Policies in Controversial or Emerging Areas.	No such matters noted

Management Judgments And Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the District's year end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Allowance for Doubtful Accounts and Bad Debt Expense	The allowance for doubtful accounts was determined by management by a process involving consideration of past experiences, current aging information, information from credit reports, contacts with the customers, and other available data including environmental factors such as	We tested this accounting estimate by reviewing, on a test basis, the information listed.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
	industry, geographical, economic and political factors.	
Fair Values of Investment Securities and Other Financial Instruments	The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities.	We tested the propriety of information underlying management’s estimates.
Useful Lives of Fixed Assets	Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the District.	We tested the propriety of information underlying management’s estimates.
Loss Contingencies	The District consults with legal counsel to evaluate outstanding litigation, claims and assessments. Factors that affect management’s evaluation of litigation contingencies requiring disclosure include the nature of the contingencies and whether the outcome could have an effect on the consolidated financial statements.	Based on information obtained from the District’s legal counsel regarding this matter and discussions with management, we concur with management’s determination that the loss contingency does not meet conditions for accrual of being both probable and estimable, and, thus, no accrual is recorded and no specific disclosures are required.
Pension and Postretirement Obligations	Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets.	We reviewed the reasonableness of these estimates and assumptions.

AUDITOR’S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the District’s accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.

- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

<u>Corrected Misstatements</u>: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

<u>Uncorrected Misstatements</u>: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

There were no such misstatements.

OTHER COMMUNICATIONS

Communication Item	Results
Other Information In Documents Containing Audited Financial Statements Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.	We understand that management has not prepared such information to accompany the audited financial statements.
Significant Difficulties Encountered During the Audit We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.	The following significant difficulties were encountered in dealing with management related to the performance of the audit. • Significant delays in management providing required information for IT testing procedures.
Disagreements With Management We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the District's financial statements or the auditor's report.	During our audit, there were no such disagreements with management.
Consultations With Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of	We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are

Communication Item	Results
it, and provide our views on the significant matters that were the subject of such consultation.	required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.
Representations The Auditor Is Requesting From Management We are to provide you with a copy of management's requested written representations to us.	We direct your attention to a copy of the letter of management's representation to us provided separately.
Significant Issues Discussed, or Subject to Correspondence, With Management We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	There were no such significant issues discussed, or subject to correspondence, with management.
Significant Related Party Findings and Issues We are to communicate to you significant findings and issues arising during the audit in connection with the District's related parties.	There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.
Other Findings or Issues We Find Relevant or Significant We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.	There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.

We are pleased to serve your District as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Board of Directors and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Sacramento, California
November 18, 2016

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

In planning and performing our audit of the financial statements of Sacramento Regional Transit ("the District") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the District's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Company's/Entity's internal control over financial reporting or on compliance. This letter 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. Accordingly, this letter is not suitable for any other purpose.

Crowe Horwath LLP

Sacramento, California
November 18, 2016

RESOLUTION NO. 16-12-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

December 12, 2016

DESIGNATE $1,166,165 OF PRIOR YEAR'S STATE TRANSIT ASSISTANCE FUNDS FROM CAPITAL REVENUE TO THE DISTRICT'S OPERATING RESERVE

WHEREAS, pursuant to Board Resolution No. 15-11-0126, the Sacramento Regional Transit District adopted a Comprehensive Reserve Policy ("Reserve Policy"); and

WHEREAS, RT will strive to establish and maintain 12.3% of the annual operating budget, which is the equivalent of 1.5 months of operating expense (less the current year Self-Insurance expense), in reserve for operations to be used if necessary to meet emergencies or unexpected operating contingencies, and RT shall maintain at least a minimum operating reserve of 8%, or 30 days of operating expense (less the current year Self-Insurance expense); and

WHEREAS, RT received approval from Sacramento Area Council of Governments to reassign $1,166,165 of State Transit Assistance (STA) capital funds for operating purposes; and

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the General Manager/CEO is hereby authorized to designate $1,166,165 of STA capital funds to operating funds and to build RT's Operating Reserve for FY2016.

The foregoing Resolution was introduced at a regular meeting of the Board of Directors of the Sacramento Regional Transit District held on December 12, 2016 by the Director _______________ who moved its adoption. The motion was seconded by Director _______________, and a poll was taken, recorded as follows:

AYES:

NOES:

ABSTAIN:

ABSENT:

The motion, having passed by at least a two-thirds majority of votes, the Resolution was declared to have been adopted and it was so-ordered.

JAY SCHENIRER, Chair

A T T E S T:

HENRY LI, Secretary

By:
Cindy Brooks, Assistant Secretary

RESOLUTION NO. 16-12-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

December 12, 2016

USE $1,095,319 OF THE DISTRICT'S OPERATING RESERVE FOR THE FISCAL YEAR ENDED JUNE 30, 2016

WHEREAS, pursuant to Board Resolution No. 15-11-0126, the Sacramento Regional Transit District adopted a Comprehensive Reserve Policy ("Reserve Policy"); and

WHEREAS, RT is facing an operating shortfall of approximately $1,095,319; and

WHEREAS, the Board may authorize the use of Operating Reserve funds so that RT may balance its budget, on a two-thirds vote of the Board.

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Board hereby authorizes the General Manager/CEO or his designee to use funds designated as Operating Reserve Funds, up to $1,095,319 to meet RT's FY2016 decrease in net position caused by operating expenses exceeding operating revenues.

____
JAY SCHENIRER, Chair

A T T E S T:

HENRY LI, Secretary

By: ________________________________
Cindy Brooks, Assistant Secretary