Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
20	12/11/17	Open	Action	12/4/17

Subject: Receive and File the Comprehensive Financial Report and Designate the Reserve for Fiscal Year June 30, 2017

ISSUE

Whether to 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, 2017, and Designate $2,159,095 as SacRT's Operating Reserve for the Fiscal Year ended June 30, 2017.

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, 2017; and

B. Adopt Resolution No. 17-12-_____, Designate $2,159,095 as the SacRT's Operating Reserve for the Fiscal Year ended June 30, 2017.

FISCAL IMPACT

These actions will result in a net increase of $2,159,095 to the July 1, 2016 beginning operating reserve balance of $3,186,796. Upon approval, the final June 30, 2017 operating reserve will be $5,345,891.

DISCUSSION

Each fiscal year, SacRT prepares a CAFR and reports on compliance and internal control as required by Uniform Guidance and the TDA. In addition, SacRT's auditors provide an annual Report to the Board of Directors, which summarizes any opportunities for strengthening internal controls and operating efficiencies.

SacRT received an unqualified (clean) opinion on the CAFR and Uniform Guidance from its auditors, Crowe Horwath LLP, for the fiscal year ended June 30, 2017. Moreover, no material weaknesses involving SacRT's financial reporting or internal control processes were identified.

Approved:	Presented:
Final 12/06/17	
General Manager/CEO	VP, Finance/CFO

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
20	12/11/17	Open	Action	12/4/17

Subject:	Receive and File the Comprehensive Financial Report and Designate the Reserve for Fiscal Year June 30, 2017

Financial Results Summary

The CAFR presentation and classifications are intended to provide an overall picture of SacRT'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), SacRT's net position increased by $11.1 million as of June 30, 2017.

The net position increase is comprised of an operational gain of $2.1 million, an increase of $11.0 million in net contributions received in support of SacRT's Capital Program and a decrease of $2.0 million due to the impact of Government Accounting Standards Board (*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 3.

Summary of Actual Results

The CAFR presentation differs from SacRT's operating and capital budgets in that the CAFR combines both operating and capital activities. To evaluate the FY2017 operational results, Attachment 1 and page 10 of the CAFR shows SacRT's operating and capital funds separately. As of June 30, 2017, SacRT's operating results were as follows: $30.5 million in fare revenues, $159.9 million in operating expenses, and $131.6 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 $0.7 million, net favorable variance in operating expenses of approximately $2.2 million and net unfavorable non-operating revenues of approximately $0.6 million (see Attachment 2).

Explanation for Budget to Actual Variances

Operating Revenues

SacRT's FY2017 fare revenue totaled $30.5 million. The net unfavorable operating revenues variance of $0.7 million was due to lower than expected ridership and a shift in customers buying patterns to electronic media resulting in less upfront revenue.

Operating Expenses

Operating expenses totaled $159.9 million, a favorable variance of $2.2 million from the adopted budget of $162.1 million. Salaries and fringe benefits were under budget by $0.9 million as a result of lower than expected medical cost increases and other post-employment benefit costs. These favorable variances were partially mitigated by higher overtime. Professional and Other Service costs were under budget by $2.0 million due to a decrease in

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Subject:	Receive and File the Comprehensive Financial Report and Designate the Reserve for Fiscal Year June 30, 2017

security services as SacRT brought the majority of its contracted security guard services in house as well as a favorable cost reductions in Paratransit services. Spare Parts and Supplies and Casualty and Liability Costs were over budget by $0.5M and $0.3M respectively due to an increase in parts and supplies for SacRT's aging Light Rail fleet and expensed obsolete bus inventory as well as the additional accrual required for two significant general liability claims.

Non-Operating Revenues (Expenses)

The net favorable non-operating revenue (expense) variance of $0.6 million is primarily attributed to the following: a $1.5 million increase in state and local operating assistance due to higher than expected taxable sales which was offset by a $0.7million unfavorable regional allocation of diesel tax collected; a $0.2 million increase in federal operating assistance is due to the use of Congestion Mitigation and Air Quality funds; $0.1 million contract award from Sacramento Steps Forward; and a $0.5 million unfavorable variance in Advertising revenue due to sponsorships that did not materialize surrounding the Golden 1 Center opening.

Operating Results

SacRT concluded FY2017 with an operating increase in net position of $2.2 million. After accounting for the $3.2 million reserve at the end of FY2016, SacRT ended the year with an available reserve of $5.3 million.

Comprehensive Reserve Policy

The Comprehensive Reserve Policy adopted by the Boards on November 9, 2015 has four categories of reserves: Operating, Self-Insurance, Capital and Grant/Project Specific. The table below illustrates the requirements of each and the current balance held by SacRT

Reserve Type	Policy Target	Policy Target Amount	Actual Reserve Balance
Operating	12.3% of annual operating budget	$20.0 million*	$5.3 million**
Self-Insurance	Total liability less current year expense	$16.1 million	$3.1 million
Capital	Annual contribution for depreciating assets	N/A	-
Grant/Project Specific	10% of South Line Phase II project cost	$27.0 million	-

*Based on FY17 operating budget
**Includes FY17 increase in net position

In the past two fiscal years SacRT has made a significant financial turn-around by increasing the operating reserve balance by approximately $2.2 million, whereas the three previous fiscal years SacRT experienced operating deficits. The increase in operating reserves is vital for

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financial health, cash liquidity, and credit rating reviews. The operating reserve target presented above is the minimum requirement per the comprehensive reserve policy; however, SacRT currently has a $29 million Line of Credit (LOC) to supplement operating cash flows. The goal for the operating reserve is to eliminate the need for the LOC by building sufficient operating reserves to cover all cash flow needs. SacRT management continues to budget with the goal of building operating and capital reserves to improve the efficiency and effectiveness of SacRT's operations.

Staff Recommendation

The following documents (Attachments 1-6) are submitted to the Board for receipt and filing:

- Fiscal Year 2017 Statement of Revenue and Expense per Funding Designations – Attachment 1
- Fiscal Year 2017 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
- Management Letter – Attachment 6

Staff recommends that the Board receive and file the comprehensive annual financial reports as listed and designate **$2,159,095** as SacRT's operating reserve for the Fiscal Year ended June 30, 2017.

Attachment 1

Fiscal Year 2017
Statement of Revenues and Expenses
Per Funding Designation

Statement of Revenues and Expenses	FY 2017 Funding Designation			
	Operations	GASB	Capital Improvement Program	Total
OPERATING REVENUES (Fares)	**$ 30,487,098**	**$ -**	**$ -**	**$ 30,487,098**
OPERATING EXPENSES				
Labor and Fringe Benefits	106,877,397	2,008,284	-	108,885,681
Professional and Other Services	27,027,656	-	3,314,487	30,342,143
Spare Parts and Supplies	8,932,460	-	3,063,925	11,996,385
Utilities	6,619,184	-	-	6,619,184
Casualty and Liability Costs	9,316,895	-	-	9,316,895
Depreciation and Amortization	-	-	43,959,095	43,959,095
Indirect Costs Allocated to Capital Programs	(538,334)	-	-	(538,334)
Other	1,652,226	-	50,000	1,702,226
Total Operating Expenses	**$ 159,887,484**	**$ 2,008,284**	**$ 50,387,507**	**$ 212,283,275**
Loss from Operations	**(129,400,386)**	**(2,008,284)**	**(50,387,507)**	**(181,796,177)**
NON-OPERATING REVENUES (EXPENSES)				
Operating Assistance				
State and Local	86,911,255	-	-	86,911,255
Federal	34,467,184	-	1,143,520	35,610,704
Investment Income	2,028,381	-	95,511	2,123,892
Interest Expense	(2,423,793)	-	71,304	(2,352,489)
Pass Through to Subrecipients	-	-	(1,075,360)	(1,075,360)
Professional and Other Services Funded by Others	-	-	(6,161,752)	(6,161,752)
Contract Services	6,260,028	-	-	6,260,028
Other	4,316,426	-	36,673	4,353,099
Total Non-operating Revenues (Expense)	**$ 131,559,481**	**$ -**	**$ (5,890,104)**	**$ 125,669,377**
Increase (Decrease) in Net Position Before Capital Contributions	**2,159,095**	**(2,008,284)**	**(56,277,611)**	**(56,126,800)**
Capital Contributions				
State and Local	-	-	58,243,209	58,243,209
Federal	-	-	9,013,013	9,013,013
Increase (Decrease) in Net Position	**$ 2,159,095**	**$ (2,008,284)**	**$ 10,978,611**	**$ 11,129,422**

Reserve	
FY2016 Operating Reserve	$ 3,186,796
Increase in Net Position FY2017	2,159,095
Total Remaining Operating Reserve June 30, 2016	**$ 5,345,891**

Attachment 2

Fiscal Year 2017

Statement of Revenues and Expenses

Operating Budget to Actual Expenses

Statement of Revenues and Expenses	FY 2017 Budget to Actual Expenses Approved Budget	Adjusted Operating Results	Variance (Unfavorable)/ Favorable	Percent Variance
OPERATING REVENUES				
Fares	**$ 31,165,419**	**$ 30,487,098**	**$ (678,321)**	**-2.2%**
OPERATING EXPENSES				
Labor and Fringe Benefits	107,741,135	106,877,397	863,738	0.8%
Professional and Other Services	29,072,853	27,027,656	2,045,197	7.0%
Spare Parts and Supplies	8,401,973	8,932,460	(530,487)	-6.3%
Utilities	6,711,124	6,619,184	91,940	1.4%
Casualty and Liability Costs	9,057,035	9,316,895	(259,860)	-2.9%
Depreciation and Amortization	-	-	-	
Indirect Costs Allocated to Capital Programs	(542,328)	(538,334)	(3,994)	0.7%
Other	1,678,758	1,652,226	26,532	1.6%
Total Operating Expenses	**$ 162,120,550**	**$ 159,887,484**	**$ 2,233,066**	**1.4%**
(Loss) Income from Operations	**(130,955,131)**	**(129,400,386)**	**1,554,745**	**-1.2%**
NON-OPERATING REVENUES (EXPENSES)				
Operating Assistance				
State and Local	86,109,455	86,911,255	801,800	0.9%
Federal	34,271,670	34,467,184	195,514	0.6%
Investment Income	2,088,198	2,028,381	(59,817)	-2.9%
Interest Expense	(2,346,198)	(2,423,793)	(77,595)	3.3%
Contracted Services	6,092,006	6,260,028	168,022	2.8%
Advertising	1,685,000	1,183,454	(501,546)	-29.8%
Commercial Income/Other	3,055,000	3,132,972	77,972	2.6%
Total Non-operating Revenues (Exp)	**$ 130,955,131**	**$ 131,559,481**	**$ 604,350**	**0.5%**
Net Decrease in Position	**-**	**2,159,095**	-	**-**
Change in Operating Reserve	**$ -**	**$ 2,159,095**	**$ -**	**-**

Attachment 3

Sacramento Regional Transit District

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

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, 2017

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 11, 2017

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, 2017.

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, 2017, 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, 2017, 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 1.0 million with a service area of approximately 400 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 400 square-mile service area. Annual bus and light rail ridership has grown from 14 million passengers in 1987, to approximately 22 million passengers in fiscal year ended June 30, 2017. More recently, consistent with industry trends, the District’s ridership has declined and as such this has now become one of the District’s 12 strategic initiatives. 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 General Manager/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 2017 was 5.1 percent down from 5.5 percent in 2016. The Sacramento region is expected to see the unemployment rate drop to the high 4 percent range in the next two years.

Residential construction continued its upward trend in 2016 with 7,000 single family homes being built which is a 33 percent increase over 2015 and 9,600 projected builds for 2017. Forecasts for the region show three to four more years of solid economic and housing growth ahead.

A significant portion of the District's operating funds are derived from sales tax revenues. In 2017, taxable sales in the Sacramento region rose resulting in an increase of 4.4 percent in the Local Transportation Fund and a 6.0 percent in Measure A Revenue. It is estimated that taxable sales in 2018 will increase approximately 4 percent resulting in a similar increase in the Local Transportation Fund and Measure A Revenue.

The Sacramento region has one of the busiest real estate markets in 2017, as new construction has not kept up with demand. Economic growth continues to transform Sacramento's landscape with many new mixed-use and transit oriented development projects on the rise.

System-Wide Improvement Initiatives

The fiscal year ending on June 30, 2017 was a year of transformation for the District. With the recent change in leadership, the District has made a significant and positive shift. 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 put customers first in everything we do, and ensure performance excellence through the implementation of fiscal policies and strict accountability. The District is now poised to change how it operates internally and externally to become a world-class regional transit provider.

Major Initiatives Moving Forward in FY18

Cost Containment and Revenue Enhancement Opportunities: Could generate nearly $8 million to stabilize the District's fiscal position. This will be accomplished by paring down the operating budget, freezing additional administrative positions, achieving an agreement with labor unions to reduce the annual salary adjustment from 4 percent to 2.5 percent, and by renegotiating our contracts with service providers, which will result in a 20 percent reduction. These successes will further enhance the District's financial stability in the future. The District proudly submitted a FY18 budget to the Board that was less than the current year, maintaining current service levels with no additional increase in fares. The budget gives the District the ability to show cost avoidance figures of greater than $10 million in Fiscal year 2018.

Technology Advancements: The District is committed to improving the customer experience by offering state-of-the-art rider tools and fare payment options that allow for seamless navigation of the transit network. We embrace technology and are reinventing our business model to reflect this commitment. Connect Card, the region's new transit smart card rolled out in June 2017 and a more functional mobile fare app, known as ZipPass, was unveiled to the public on September 1, 2017.

Route Optimization Study: The District's route structure was primarily designed over 30 years ago as a radial network focused on downtown Sacramento. Land uses, travel patterns, and economic centers have changed, shifting downtown Sacramento's important, but no longer an exclusive role in the regional economy. By engaging the community, the District intends to re-imagine the system to reflect the region as it stands today and as it is projected to grow. The results could unleash the region's economic potential by connecting transit services to approximately 1 million people, 300,000 jobs, 20 colleges and universities, 18 hospitals and major medical facilities, more than 25 business districts, and many major attractions all within a quarter-mile of District bus and light rail stops. Phase 1 will begin in winter 2017.

State of Good Repair: The District's is actively pursuing funding to address the State of Good Repair initiative. This is needed to begin the immediate replacement of the aging light rail vehicle fleet and supporting infrastructure.

Secure Additional Local Funding: The District is working diligently with key stakeholders, community leaders and elected officials to secure local, state and federal assistance including, a potential local sales tax initiative.

The District played a key role in helping secure passage of SB1, the Road Repair and Accountability Act of 2017, the $5.2 billion annual transportation funding package that state legislators approved after many years of debate. Outside of roads, freeways and bridges, SB1 provides transit agencies with an estimated $600 million annually statewide. The dedicated amounts are approximately 85% for road repair and the remaining 15% to public transit. The calculation for the District could over the next ten years bring an estimated additional $80 million in funding with the potential to apply for a limited pot of funding for discretionary transit projects. The District plans to apply the extra funding first to repair and replace light rail vehicles, and other State of Good Repair projects.

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

Mobile Applications

To improve the customer experience, the District is expanding on its successful launch of several mobile applications, a 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 pilot 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.

ZipPass activated in September of 2017, replaces RideSacRT and provides greater mobile connectivity for customers, enables the District to quickly customize mobile ticketing as well as enhanced features for fare evasion. In-line with the Connect Card, ZipPass provides multi-transit agency connectivity for fare purchases using a single application.

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 serves 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 and ride all nine transit agencies with one Connect 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. Significant progress on the project was made throughout 2017 with the official public launch on June 15, 2017. The District is seeing increased utilization monthly and anticipates a full transition during 2018.

The District serves as the Connect Card Regional Service Center (RSC) for the nine-agency transit consortium. The RSC performs all functions of maintaining the infrastructure of the Connect Card system as well as performing all of the revenue and treasury functions.

Fare Vending Machine Replacement

In addition to bringing on new technology to enhance customer buying options, the District has a project to replace more than half of its older fare vending machines with new machines that will accept debit cards, credit cards, cash as well as distribute Connect Cards. Since many customers still rely on cash, debit and credit options, replacing these old machines with new technology will improve reliability and save costs associated with necessary repairs to maintain their operation.

Downtown/Riverfront Streetcar

The District is collaborating with the City of Sacrament and the City of West Sacramento in the design, construction and operation of the streetcar project that will link midtown, downtown Sacramento, the Bridge District and the City Hall complex in West Sacramento. The District, through a contract with the Joint Powers Authority created by the two Cities, will design the system, procure the vehicles, and construct the project. Upon completion, the District will operate and maintain the system.

In August 2016, the California State Transportation Agency announced a $30 million grant from state cap-and-trade funds. In June 2017, the District approved $25 toward the construction project fund. If approved by Congress the Small Starts Federal Transit Administration grant would provide 50% of the funding for the $200 million project. The District will be the Federal grantee with the funds flowing to the project through an agreement between the District and the Joint Powers Authority. Private sector contributions through a Community Facilities District within the City of Sacramento was approved by targeted property owners within the corridor in July 2017 to help fund the annual operations and maintenance of the streetcar system.

Nationally, streetcar projects have demonstrated economic benefits and pedestrian mobility improvements and will provide similar benefits for the Sacramento region.

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) is expected to be completed in late 2018 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, which includes housing, sports entertainment and a major medical facility is scheduled to be complete in 2020.

Bus Replacement
The District received delivery of 33 new GILLIG 40' BRTPlus Compressed Natural Gas (CNG) buses and 11 new El Dorado Paratransit 27' buses in fiscal year 2017. 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 final delivery of the 96 new GILLIG 40' buses procured to replace the District's aging fleet. Newer existing buses are now equipped with the newest farebox technology.

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 year ended June 30, 2016. 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 17th 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, Treasury Controller; Nadia Mokhov, Senior Financial Analyst, Maria Whitworth, Senior Administrative Assistant and Yiran Zhang, Finance Intern.

Henry Li
General Manager/CEO

Brent Bernegger
VP, Finance/CFO

SACRAMENTO REGIONAL TRANSIT DISTRICT
CERTIFICATE OF ACHIEVEMENT
FISCAL YEAR ENDED JUNE 30, 2016

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, 2016

Executive Director/CEO

SACRAMENTO REGIONAL TRANSIT DISTRICT
LIST OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2017

Board of Directors

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

Henry Li

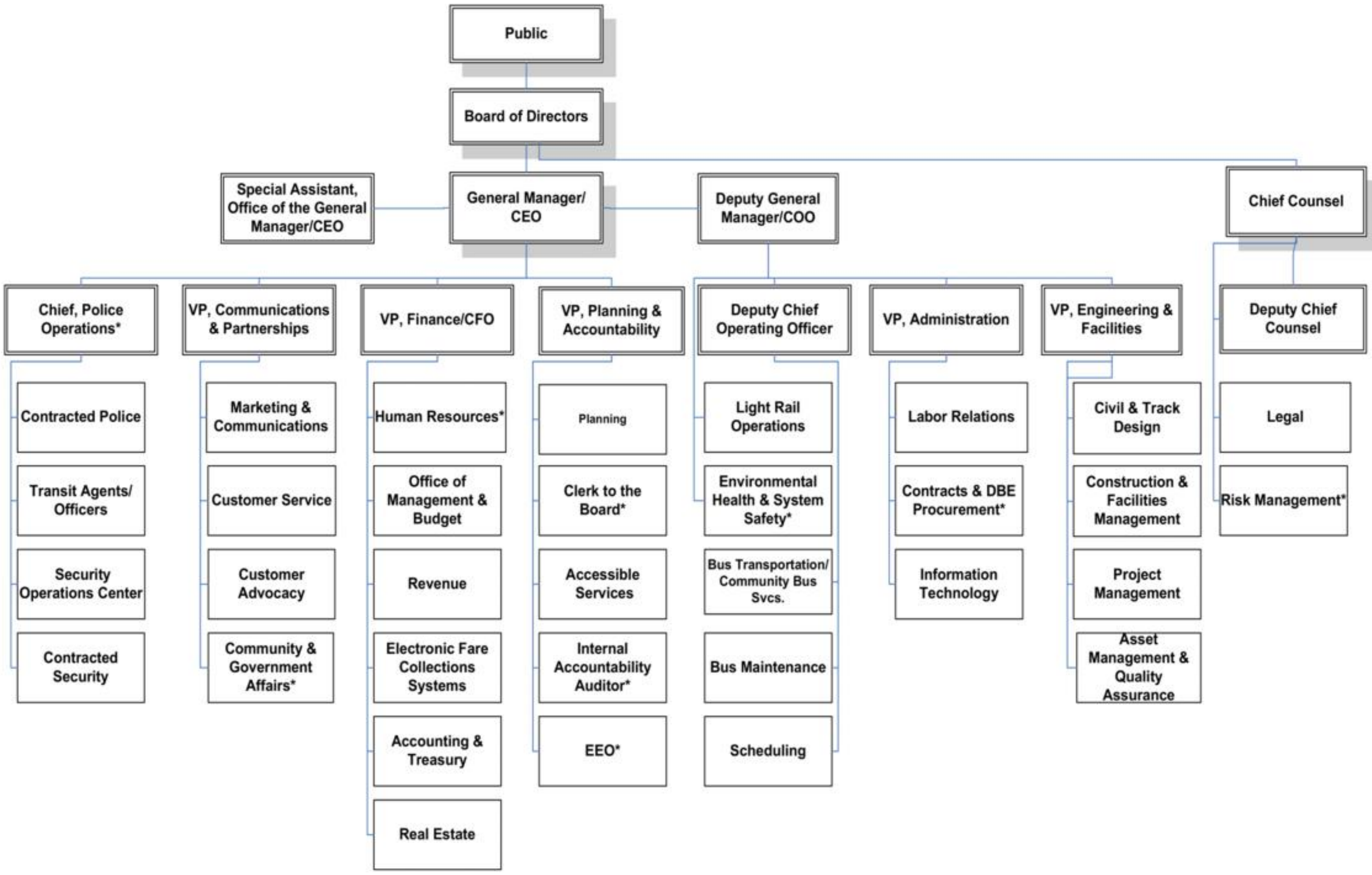
Chief Counsel

Tim Spangler

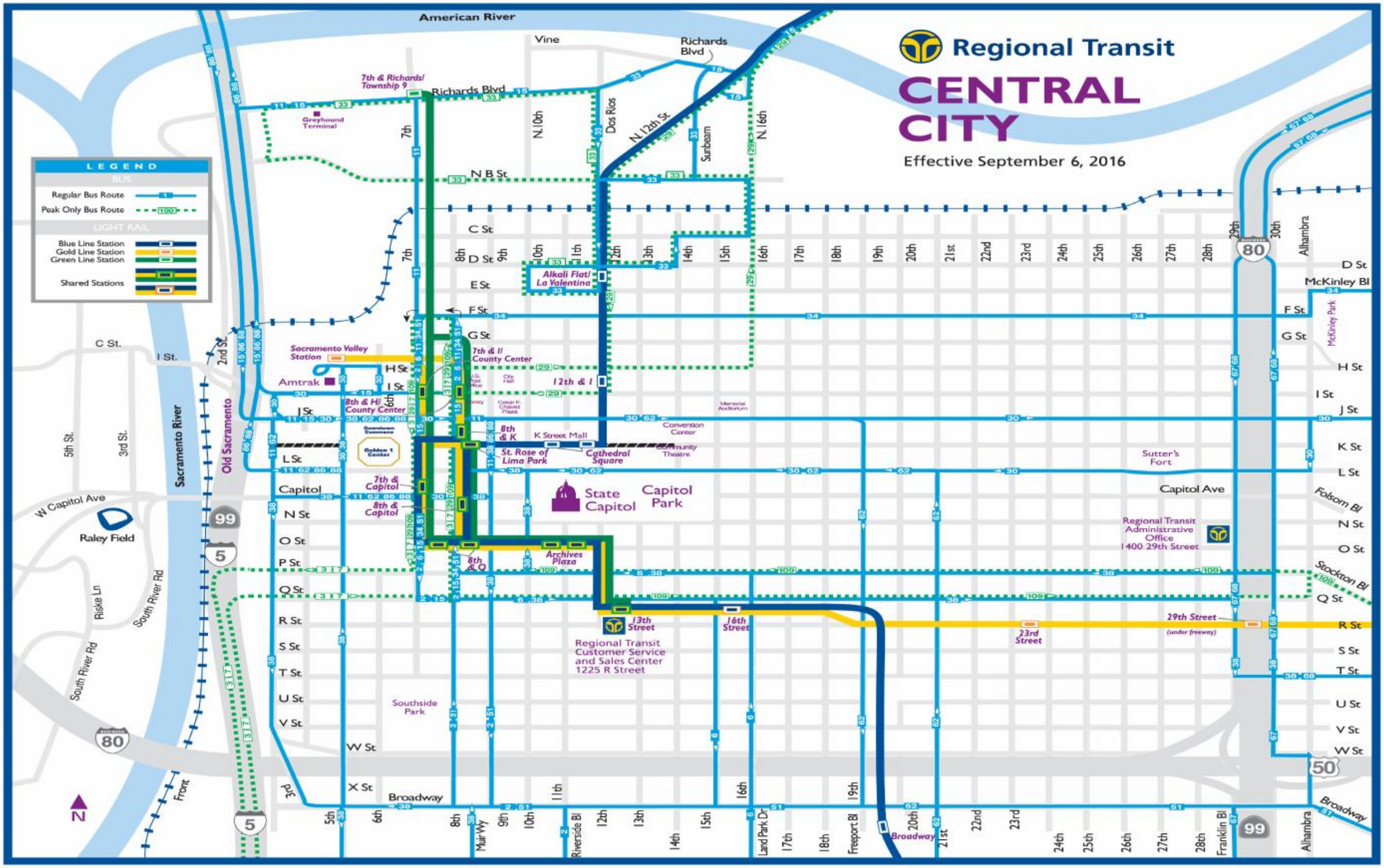
Executive Management Team

Mark Lonergan, Deputy General Manager/Chief Operating Officer
Brent Bernegger, Vice President, Finance/Chief Financial Officer
Suzanne Chan, Vice President, Administration
Laura Ham, Vice President, Planning and Accountability
Lisa Hinz, Vice President, Security Operations and Police Services
Neil Nance, Vice President, Engineering and Facilities
Devra Selenis, Vice President, Communications and Partnerships
Olga Sanchez-Ochoa, Deputy Chief Counsel

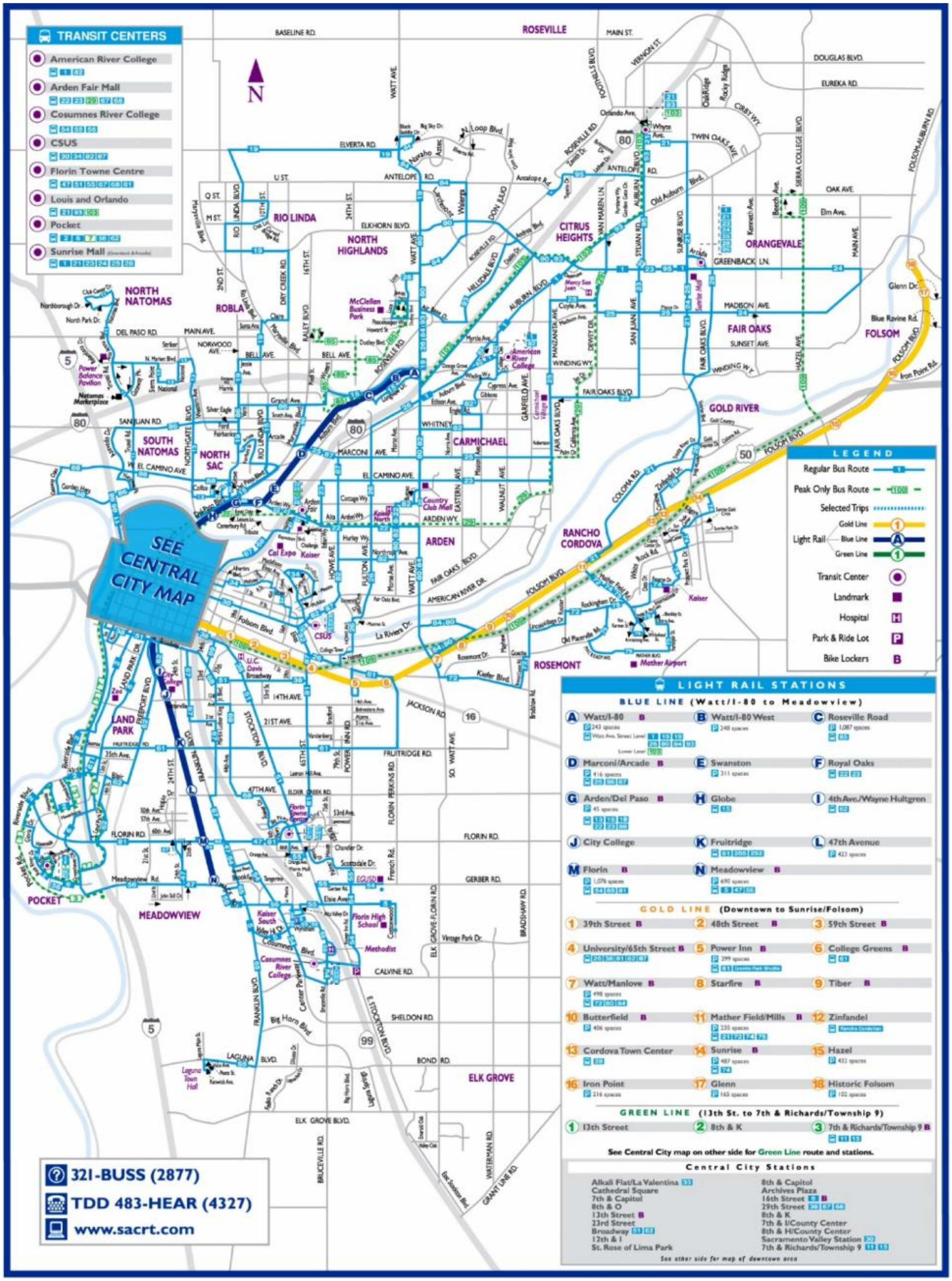
SACRAMENTO REGIONAL TRANSIT DISTRICT
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2017



SACRAMENTO REGIONAL TRANSIT DISTRICT
SERVICE AREA MAP



SACRAMENTO REGIONAL TRANSIT DISTRICT
SERVICE AREA MAP



Financial Section

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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, 2017, 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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net pension liability and related ratios, the schedule of District contributions, and the OPEB schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 21, 2017 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 21, 2017

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, 2017. 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 and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2017 by $841,334,668 (net position). Of this amount $889,346,531 is net investment in capital assets and $(48,011,863) is unrestricted. The District's negative unrestricted net asset position is attributed to recording its net pension liability per GASB Statement No. 68.

- The District's total net position increased for the year ended June 30, 2017 by 1.3 percent, or $11,129,422 compared to the year ended June 30, 2016. This increase is primarily the result of the receipt of Transportation Congestion Relief Program (TCRP) funds used to partially defease the District's Farebox Revenue Bonds as well as the acquisition of 33 new Gillig 40' buses and 11 new Paratransit vehicles.

- The District's total liabilities and deferred inflows of resources decreased by $29,822,348 for the fiscal year ended June 30, 2017. The decrease is primarily due to the defeasance of the District's Farebox Revenue Bonds and a decrease in line of credit borrowing due to the timing of the receipt of operating assistance. This decrease was partially mitigated by an increase in the net pension liability resulting from performance and changes in actuarial assumptions.

- During the fiscal year ended June 30, 2017, fare revenue increased by $2,431,294 or 8.7 percent from the fiscal year ended June 30, 2016. This is attributed to a fare increase effective July 1, 2016. Non-operating revenue increased by $4,021,280 or 3.0 percent in fiscal year 2017 primarily due to increases in Local Transportation and Measure A funds generated by sales tax and increased proceeds from carbon credit programs.

- Total operating costs increased by $20,964,784 or 11.0 percent for the fiscal year ended June 30, 2017. The increase is due to a rise in labor costs resulting from contractual rate escalation and pension expense, parts and supplies for the District's aging Light Rail fleet, depreciation on the District's replacement bus fleet and refurbished UTDC light rail fleet, nine of which were placed in service during the fiscal year and the additional accrual for two significant liability claims. These increases were partially mitigated by a decrease in security services as the District brought the majority of its contracted security guard services in house.

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 presents 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, 2017. 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 $841,334,668.

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 the partial defeasance of the District's Farebox Revenue Bonds as well as capital contributions as the District replaced it's rolling stock.

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

SACRAMENTO REGIONAL TRANSIT DISTRICT
NET POSITION

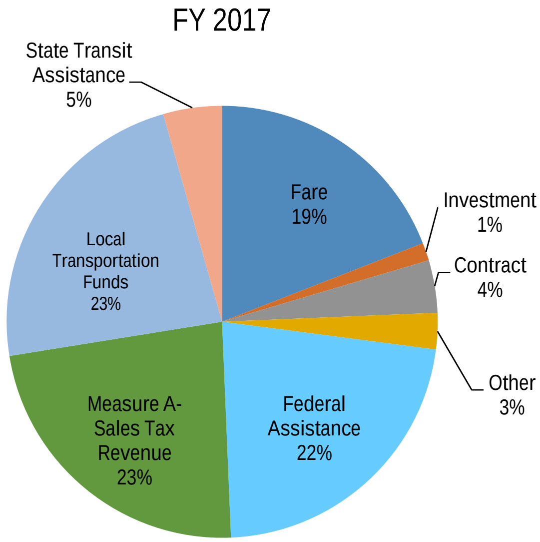
	June 30, 2017	June 30, 2016	Increase or (Decrease) Dollar	Percent
Current and Other Assets	$ 164,789,208	$ 206,001,836	$ (41,212,628)	(20.0%)
Capital Assets	945,167,876	953,715,161	(8,547,285)	(0.9%)
Total Assets	1,109,957,084	1,159,716,997	(49,759,913)	(4.3%)
Deferred Outflows of Resources	51,042,787	19,975,800	31,066,987	155.5%)
Current Liabilities	52,130,688	78,257,355	(26,126,667)	(33.4%)
Non-Current Liabilities	255,950,167	260,631,589	(4,681,422)	(1.8%)
Total Liabilities	308,080,855	338,888,944	(30,808,089)	(9.1%)
Deferred Inflows of Resources	11,584,348	10,598,607	985,741	9.3%
Net Position				
Net Investment in Capital Assets	889,346,531	878,848,516	10,498,015	1.2%
Restricted for:				
Debt Service	-	1,830,579	(1,830,579)	(100.0%)
Unrestricted	(48,011,863)	(50,473,849)	2,461,986	(4.9%)
Total Net Position	$ 841,334,668	$ 830,205,246	$ 11,129,422	1.3%

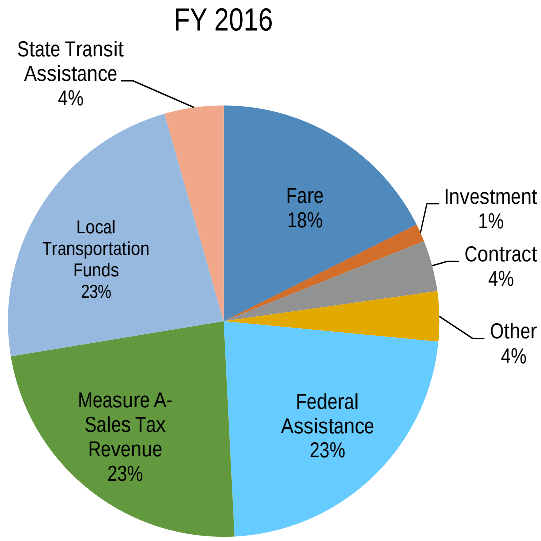
SACRAMENTO REGIONAL TRANSIT DISTRICT
REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	June 30, 2017	June 30, 2016	Increase or (Decrease) Dollar	Increase or (Decrease) Percent
Operating Revenue				
Fares	$ 30,487,098	$ 28,055,804	$ 2,431,294	8.7%
Non-Operating Revenues				
Operating Assistance	122,521,959	117,673,780	4,848,179	4.1%
Investment Income	2,123,892	2,128,565	(4,673)	(0.2%)
Other Revenue	10,613,127	11,435,353	(822,226)	(7.2%)
Total Operating and Non-Operating Revenue	165,746,076	159,293,502	6,452,574	4.1%
Operating and Non-Operating Expenses				
Labor& Fringe Benefits	108,885,681	99,692,210	9,193,471	9.2%
Professional & Other Services	30,342,143	29,331,513	1,010,630	3.4%
Spare Parts & Supplies	11,996,385	8,526,014	3,470,371	40.7%
Utilities	6,619,184	6,288,167	331,017	5.3%
Casualty & Liability Costs	9,316,895	7,159,561	2,157,334	30.1%
Depreciation & Amortization	43,959,095	39,924,912	4,034,183	10.1%
Other	1,702,226	1,434,437	267,789	18.7%
Indirect Costs Allocated to Capital Programs	(538,334)	(1,038,323)	499,989	(48.2%)
Interest Expense	2,352,489	3,675,086	(1,322,597)	(36.0%)
Pass through to Subrecipients	1,075,360	2,029,522	(954,162)	(47.0%)
Professional and Other Services Funded By Others	6,161,752	-	6,161,752	-
Total Operating and Non-Operating Expenses	221,872,876	197,023,099	24,849,777	12.6%
Loss Before Capital Contributions	(56,126,800)	(37,729,597)	(18,397,203)	48.8%
Capital Contributions				
State and Local	58,243,209	18,376,039	39,867,170	217.0%
Federal	9,013,013	30,077,779	(21,064,766)	(70.0%)
Total Capital Contributions	67,256,222	48,453,818	18,802,404	38.8%
Increase in Net Position	11,129,422	10,724,221	405,201	3.8%
Net Position, beginning of year	830,205,246	819,481,025	10,724,221	1.3%
Net Position, end of year	$ 841,334,668	$ 830,205,246	$ 11,129,422	1.3%

SACRAMENTO REGIONAL TRANSIT DISTRICT
REVENUES BY SOURCE

Operating Revenue by Source



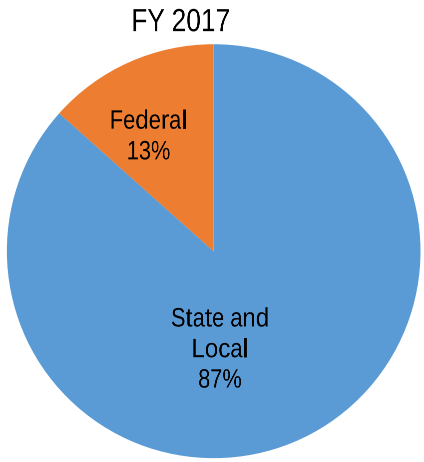


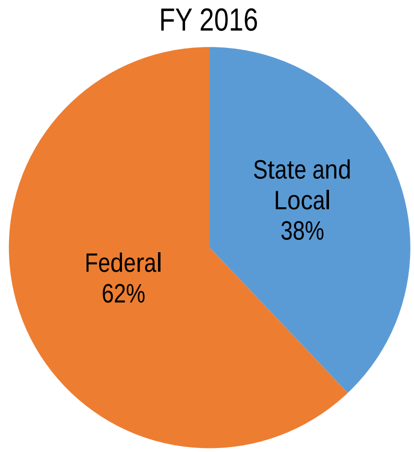
The significant changes in Revenue Services are described below:

Fares, investment income, contracted services, and other revenue increased by a combined $1,604,396 for the fiscal year ended June 30, 2017 or 3.9 percent. The revenue increase is primarily due to the fare increase, effective July 1, 2016, and was partially mitigated due to the decrease in Federal Excise Tax Refunds as a result of the expiration of the tax credit.

Operating assistance increased by $4,848,179 or 4.1 percent for the fiscal year ended June 30, 2017 which is primarily due to increases in Local Transportation and Measure A funds generated by sales tax and increased proceeds from carbon credit programs.

Capital Revenue by Source

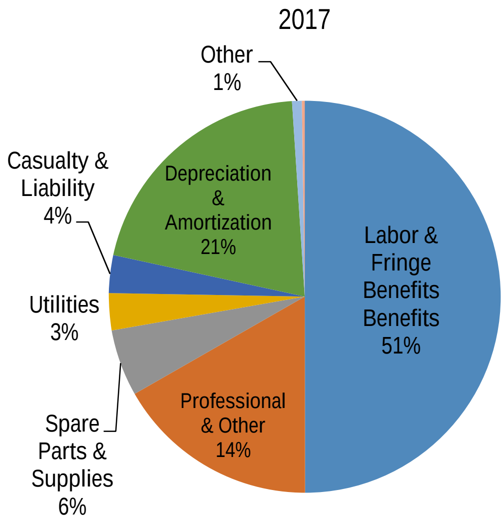


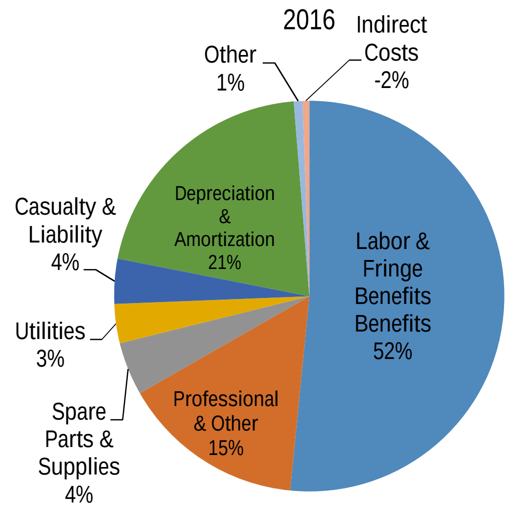


The majority of construction and acquisition activities are funded with capital contributions from other governmental units such as federal, state, and local agencies. Capital contributions increased by $18.8 million or 38.8 percent during the fiscal year ended June 30, 2017. The increase for the fiscal year ended June 30, 2017 is the result of higher contributions of Transportation Congestion Relief Program (TCRP) funds. These funds were earmarked for the Southline Phase 2 extension project which went into revenue service in August 2015. As this extension was partially funded with the District's Farebox Revenue Bond issuance, these TCRP funds were used in the defeasance of the related debt.

SACRAMENTO REGIONAL TRANSIT DISTRICT
OPERATING EXPENSES

Expenses by Source





The significant changes in Operating Expenses are described below:

Total operating costs increased by $20,964,784 or 11.0 percent for the fiscal year ended June 30, 2017. The increase is due to a rise in labor costs resulting from contractual rate escalation and pension expense, parts and supplies for the District's aging light rail fleet, depreciation on the District's replacement bus fleet and refurbished UTDC light rail fleet, nine of which were placed in service during the fiscal year and the additional accrual for two significant liability claims. These increases were partially mitigated by a decrease in security services as the District brought the majority of its contracted security guard services in house

SACRAMENTO REGIONAL TRANSIT DISTRICT
FISCAL YEAR 2017
STATEMENT OF REVENUES AND EXPENSES BY FUNDING DESIGNATION

	FY 2017 Funding Designation		
Statement of Revenues and Expenses	Operations	Capital Improvement Program and GASB	Total
OPERATING REVENUES (Fares)	**$ 30,487,098**	**$ -**	**$ 30,487,098**
OPERATING EXPENSES			
Labor and Fringe Benefits	106,877,397	2,008,284	108,885,681
Professional and Other Services	27,027,656	3,314,487	30,342,143
Spare Parts and Supplies	8,932,460	3,063,925	11,996,385
Utilities	6,619,184	-	6,619,184
Casualty and Liability Costs	9,316,895	-	9,316,895
Depreciation and Amortization	-	43,959,095	43,959,095
Indirect Costs Allocated to Capital Programs	(538,334)	-	(538,334)
Other	1,652,226	50,000	1,702,226
Total Operating Expenses	**159,887,484**	**52,395,791**	**212,283,275**
Loss from Operations	**(129,400,386)**	**(52,395,791)**	**(181,796,177)**
NON-OPERATING REVENUES (EXPENSES)			
Operating Assistance			
State and Local	86,911,255	-	86,911,255
Federal	34,467,184	1,143,520	35,610,704
Investment Income	2,028,381	95,511	2,123,892
Interest Expense	(2,423,793)	71,304	(2,352,489)
Pass Through to Subrecipients	-	(1,075,360)	(1,075,360)
Professional and Other Services Funded by Others	-	(6,161,752)	(6,161,752)
Contract Services	6,260,028	-	6,260,028
Other	4,316,426	36,673	4,353,099
Total Non-operating Revenues (Expense)	**131,559,481**	**(5,890,104)**	**125,669,377**
Gain (Loss) in Net Position Before Capital Contributions	**2,159,095**	**(58,285,895)**	**(56,126,800)**
Capital Contributions			
State and Local	-	58,243,209	58,243,209
Federal	-	9,013,013	9,013,013
Change in Net Position	**$ 2,159,095**	**$ 8,970,327**	**$ 11,129,422**

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, 2017, the District's operating results were as follows: $30,487,098 in fare revenues, $159,887,484 in operating expenses, and $131,559,481 in non-operating revenues, resulting in a $2,159,095 operating gain. Additional information regarding the Operating Statement can be found in the District's 2017 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, 2017 of $(48,011,863), an increase of $2,461,986 or 4.9 percent.

Capital Asset and Long-Term Debt Activity

As of June 30, 2017, the District's investment in various capital assets, such as bus and light rail vehicles, facilities, land, buildings and equipment decreased to $945,167,876 from $953,715,161 representing a 0.9 percent decrease. Depreciation exceeded capital acquisition activity which included the replacement of 44 buses. Additional information on capital assets can be found in Footnote 3 to the financial statements.

The District's Farebox Revenue Bonds decreased by $36,096,635 or the fiscal year ended June 30, 2017 or 41.1 percent. As of June 30, 2017, the $51,017,296 balance represents what remains of the $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 $40,740,724 as of June 30, 2017, resulting from its participation in three Lease/Leaseback transactions. Additional information on debt activity can be found in Footnotes 4 and 6 to the financial statements.

The District's loan payable at June 30, 2017 includes $13,988,074 originally 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, 2017, the District has construction contracts and property acquisition commitments of approximately $20,506,137.

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, 2017

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 5,331,757
Restricted Cash and Cash Equivalents	13,410,304
Investments	429,262
Receivables:	
State and Local Government	12,298,753
Federal Government	46,062,020
Other	5,388,748
Spare Parts and Supplies Inventory	21,069,506
Other Current Assets	48,916
Total Current Assets	104,039,266
Non-Current Assets:	
Restricted Cash and Cash Equivalents	17,253,769
Investments	2,755,449
Deposits for Lease/Leaseback Payable	40,740,724
Non-Depreciated Capital Assets	122,173,362
Depreciated Capital Assets, Net	822,994,514
Total Non-Current Assets	1,005,917,818
Total Assets	1,109,957,084
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows from Pension	43,460,429
Deferred Outflows: Debt Defeasance	7,582,358
Total Deferred Outflows of Resources	51,042,787
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,160,999,871

See accompanying notes to the financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION – BUSINESS TYPE ACTIVITIES - CONTINUED
ENTERPRISE FUND
JUNE 30, 2017

LIABILITIES		
Current Liabilities:		
Line of Credit	$	16,000,000
Accounts Payable		8,629,277
Other Accrued Liabilities		3,805,731
Compensated Absences		7,405,994
Interest Payable		181,795
Unearned Revenue		1,167,997
Advances from Other Governments		7,010,071
Claims Payable		7,754,291
Revenue Bonds		175,532
Total Current Liabilities		52,130,688
Long-Term Liabilities:		
Compensated Absences		2,526,581
Advances from Other Governments		16,608,153
Claims Payable		14,743,547
Revenue Bonds		50,841,764
Loan Payable		13,988,074
Lease/Leaseback Payable		40,740,724
Net Pension Liability		116,501,324
Total Long-Term Liabilities		255,950,167
Total Liabilities		308,080,855
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Lease/Leaseback		7,345,849
Deferred Inflows from Pension		4,238,499
Total Deferred Inflows of Resources		11,584,348
NET POSITION		
Net Investment in Capital Assets		889,346,531
Unrestricted		(48,011,863)
Total Net Position		841,334,668
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$	1,160,999,871

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, 2017

OPERATING REVENUES	
Fares	$ 30,487,098
OPERATING EXPENSES	
Labor and Fringe Benefits	108,885,681
Professional and Other Services	30,342,143
Spare Parts and Supplies	11,996,385
Utilities	6,619,184
Casualty and Liability Costs	9,316,895
Depreciation	43,959,095
Indirect Costs Allocated to Capital Programs	(538,334)
Other	1,702,226
Total Operating Expenses	212,283,275
Operating Loss	(181,796,177)
NON-OPERATING REVENUES (EXPENSES)	
Operating Assistance:	
State and Local	86,911,255
Federal	35,610,704
Investment Income	2,123,892
Interest Expense	(2,352,489)
Pass-Through to Subrecipients	(1,075,360)
Professional and Other Services-Funded	(6,161,752)
Contract Services	6,260,028
Other	4,353,099
Total Non-Operating Revenues	125,669,377
Loss Before Capital Contributions	(56,126,800)
Capital Contributions:	
State and Local	58,243,209
Federal	9,013,013
Total Capital Contributions	67,256,222
Increase in Net Position	11,129,422
Net Position, beginning of year	830,205,246
Net Position, end of year	$ 841,334,668

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 31,604,190
Cash Received from Contract Sources	6,260,028
Cash Paid to Suppliers	(63,507,542)
Cash Paid to Employees	(106,261,989)
Cash Received from Other Sources	4,353,099
Net Cash Used in Operating Activities	(127,552,214)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and Local Receipts	90,972,365
Federal Receipts	35,578,768
Payments Pass-Through to Subrecipients	(1,075,360)
Advances on the Line of Credit	50,100,000
Payments on the Line of Credit	(61,100,000)
Net Cash Provided by Noncapital Financing Activities	114,475,773
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(40,640,996)
Principal Payments on Revenue Bonds	(35,812,784)
Payments to Defease Debt	(7,582,358)
Interest Paid	(4,567,588)
Proceeds from Sale of Capital Assets Receipts	36,673
State and Local Capital Grants Receipts	49,208,600
Federal Capital Grants	11,011,615
Net Cash Used in Capital and Related Financing Activities	(28,346,838)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,021,224
Purchases of Investments	(1,045,781)
Investment Income	175,917
Net Cash Provided by Investing Activities	151,360
Net (Decrease) in Cash and Cash Equivalents	(41,271,919)
Cash and Cash Equivalents, July 1	77,267,749
Cash and Cash Equivalents, June 30	$ 35,995,830
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and Cash Equivalents	$ 5,331,757
Restricted Cash and Cash Equivalents, Current	13,410,304
Restricted Cash and Cash Equivalents, Non-Current	17,253,769
Total Cash and Cash Equivalents	$ 35,995,830

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, 2017

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

Operating Loss	$ (181,796,177)
Adjustments to Reconcile Net Loss from Operations to Net Cash Used in Operating Activities:	
Depreciation	43,959,095
Professional and Other Services- Nonoperating Expense	(6,161,752)
Contract Services- Nonoperating Income	6,260,028
Miscellaneous Nonoperating Income	4,353,099
Effect of Changes in:	
Other Receivables	925,660
Spare Parts and Supplies Inventory	(313,690)
Other Current Assets	9,833
Accounts Payable and Accrued Liabilities	502,031
Compensated Absences and Other	(116,556)
Unearned Revenue	191,432
Reserve for Claims	2,626,499
Net Pension Liability and Related Deferred Inflows and Outflows	2,008,284
Net Cash Used in Operating Activities	$ (127,552,214)

NON-CASH INVESTING AND FINANCING ACTIVITIES

Interest Income from Investments Held to Pay Lease/Leaseback	$ 1,988,198
Interest Expense on Capital Lease/Leaseback	(1,988,198)
Capitalized Assets Included in Accounts Payable and Retention Payable	458,553

See accompanying notes to the financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2017

ASSETS		
Cash and Cash Equivalents	$	4,848,677
Receivables:		
Securities Sold		4,069,340
Interest and Dividends		428,927
Other Receivables and Prepaids		35,977
Total Receivables		4,534,244
Investments:		
Equity Securities		179,361,518
Fixed Income Securities		95,908,199
Total Investments		275,269,717
Total Assets		284,652,638
LIABILITIES		
Securities Purchased Payable		14,602,033
Accounts Payable		744,721
Total Liabilities		15,346,754
NET POSITION RESTRICTED FOR PENSION BENEFITS	$	269,305,884

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, 2017

ADDITIONS		
Contributions:		
Employer	$	18,623,884
Member		261,456
Total Contributions		18,885,340
Investment Income:		
Net Increase/(Decrease) in Fair Value of Investments		26,460,628
Interest, Dividends, and Other Income		3,789,891
Investment Expenses		(1,109,244)
Net Investment Income/(Expense)		29,141,275
Total Additions		48,026,615
DEDUCTIONS		
Benefits Paid to Participants		21,237,515
Administrative Expenses		835,255
Total Deductions		22,072,770
Increase/(Decrease) in Net Position		25,953,845
Net Position, Restricted for Pension Benefits - Beginning of Year		243,352,039
Net Position, Restricted for Pension Benefits - End of Year	$	269,305,884

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.

The ATU Plan and IBEW Plan were accounted for as one plan for accounting purposes prior to 2017. Effective July 1, 2016, separate trust agreements and financial record keeping were created for the ATU Plan and IBEW Plan based on actuarial calculations and trustee transactions. Each trust allows for accumulation of assets solely for the payment of benefits to plan members. The changes were approved and required by the Internal Revenue Service in order to establish the individual trusts.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Investments are recorded at fair value.

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, 2017, an allowance for uncollectible accounts of $48,348 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. 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 April 2016, the GASB issued Statement 82, Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for the District's fiscal year ended June 30, 2017. The adoption of this statement had no effect on the District's net position or changes therein.

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 adoption of this statement had no effect on the District's net position or changes therein.

The following is the most significant future GASB that will be implemented:

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. 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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Statement will require recognition of a net OPEB liability on the statement of net position.

2. CASH AND INVESTMENTS

The total cash and investments as of June 30, 2017, are reported in the accompanying basic financial statements as follows:

	Enterprise Fund	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	$ 5,236,277	$ -	$ 5,236,277
Cash on hand	95,480	-	95,480
Investments	3,184,711	-	3,184,711
Total unrestricted	8,516,468	-	8,516,468
Restricted:			
Cash and cash equivalents	30,664,073	4,848,677	35,512,750
Investments	-	275,269,717	275,269,717
Total restricted	30,664,073	280,118,394	310,782,467
Total cash and investments	$ 39,180,541	$ 280,118,394	$ 319,298,935

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, 2017:

	Maturities in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Amount
Enterprise Fund					
Corporate Bonds	$ 224,734	$ 642,115	$ -	$ -	$ 866,849
Asset-Backed Securities	6,643	207,971	-	-	214,614
U.S. Government Agency Obligations	204,528	985,101	-	-	1,189,629
U.S. Government Issued Obligations	-	913,619	-	-	913,619
Total Enterprise Fund	$ 435,905	$ 2,748,806	$ -	$ -	$ 3,184,711
Fiduciary Funds					
ATU, IBEW and Salaried:					
Collateralized Mortgage Obligations	$ 153,560	$ 596,815	$ 624,397	$ 3,299,095	$ 4,673,867
Corporate Bonds	3,128,441	5,915,590	6,269,885	4,959,434	20,273,350
Municipal Bonds	-	98,062	557,029	845,863	1,500,954
U.S. Government Agency Obligations	-	469,716	1,293,173	24,249,990	26,012,879
U.S. Government Issued Obligations	1,134,023	24,638,034	3,857,853	4,638,032	34,267,942
Asset-Backed Securities	-	-	988,105	8,191,102	9,179,207
Total Fiduciary Funds	$ 4,416,024	$ 31,718,217	$ 13,590,442	$ 46,183,516	$ 95,908,199

MORTGAGE PASS-THROUGH SECURITIES

These securities, disclosed as U.S. Government Agency Obligations in the interest rate risk table above, 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.

2. CASH AND INVESTMENTS (Continued)

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, 2017, the District held callable bonds in the amount of $285,285. The Pension Trust Funds held callable bonds in the amount of $9,155,728.

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, 2017, was $8,993,277.

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 investments in CalTRUST are measured at net asset value (NAV), as described on page 35. As of June 30, 2017, the District's investments in CalTRUST were $15,278,857, all of which is invested in the Short Term fund.

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. The District's investments in LAIF and CalTRUST external investment pools are not rated.

For the fiscal year ending June 30, 2017, 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 associated with cash and investments as of June 30, 2017:

Enterprise Fund

Moody's Ratings	Amount	Percentage of Portfolio
Not rated	$ 23,154	0.73%
Aaa/Aaa-mf/P1	2,384,410	74.87%
Aa1	54,801	1.72%
Aa2	54,834	1.72%
Aa3	20,012	0.63%
A1	441,426	13.86%
A2	165,846	5.21%
A3	40,228	1.26%
	$ 3,184,711	100.00%

Pension Trust Fund

Moody's Ratings	Amount	Percentage of Portfolio
Not Applicable	$ 179,361,518	65.16%
Not rated	32,842,814	11.93%
Aaa	37,892,099	13.77%
Aa1	907,792	0.33%
Aa2	913,397	0.33%
Aa3	172,489	0.06%
A1	2,537,085	0.92%
A2	1,281,604	0.47%
A3	5,877,268	2.14%
Baa1	3,474,430	1.26%
Baa2	3,430,100	1.25%
Baa3	2,599,744	0.94%
Ba1	725,298	0.26%
Ba2	501,631	0.18%
Ba3	1,358,085	0.49%
B1	363,336	0.13%
B2	147,406	0.05%
B3	515,857	0.19%
Caa1	118,724	0.04%
Caa2	24,969	0.01%
Ca	6,483	0.01%
WR	217,588	0.08%
Total	$ 275,269,717	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 2017, the District had the following investments that comprised more than 5% of total investments in a single issuer:

Federal National Mortgage Association	$	650,721
Federal Home Loan Mortgage Corporation		319,116
Federal Home Loan Bank		164,512

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, 2017, the Plans did not hold more than 5% of its total investments in a single issuer.

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, 2017, $3,160,110 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, 2017, 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 in the District's name.

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, 2017, 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, 2017, the U.S. dollar balances organized by currency denominations for the Pension Trust Funds are as follows:

Investment Type	Foreign Currency	US Dollars
Cash	Swiss Franc	$ 6,213
	EURO	440
	Japanese Yen	95
	Total:	$ 6,748

2. CASH AND INVESTMENTS (Continued)

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, 2017:

2. CASH AND INVESTMENTS (Continued)

Investments measured at fair value

	6/30/2017	Level 1	Level 2	Level 3
Enterprise fund				
Debt securities				
Corporate bonds	$ 866,849	$ -	$ 866,849	$ -
Asset backed securities	214,614	-	214,614	-
U.S. Government Agency obligations	1,189,629	-	1,189,629	-
U.S. Government issued obligations	913,619	-	913,619	-
Carbon credits (LCFS/RIN)	432,703	432,703	-	-
Total enterprise fund	3,617,414	432,703	3,184,711	-
Fiduciary fund				
Debt securities				
Collateralize mortgage obligations	4,673,868	-	4,673,868	-
Corporate bonds	20,273,350	-	20,273,350	-
Municipals	1,500,954	-	1,500,954	-
U.S. Government Agency obligations	26,012,880	-	26,012,880	-
U.S. Government issued obligations	34,267,942	-	34,267,942	-
Asset backed obligations	9,179,205	-	9,179,205	-
Equity securities				
Common stock	66,813,669	66,813,669	-	-
Depository receipts	1,369,966	1,369,966	-	-
Real estate investment trust	301,854	301,854	-	-
Total fiduciary fund	164,393,688	68,485,489	95,908,199	-
Total investments measured at fair value	$ 168,011,102	$ 68,918,192	$ 99,092,910	$ -

Investments measured at the net asset value (NAV)

Enterprise fund	
CalTRUST	$ 15,278,857
Fiduciary fund	
S&P 500 Index Fund	45,559,187
MSCI EAFE Index Fund	10,483,331
International Equity Fund	25,596,839
International Small Capital Equity Fund	13,788,326
International Emerging Markets Fund	15,448,346
Total fiduciary fund	110,876,029
Total investments measured at NAV	126,154,886
Total Investments	$ 294,165,988

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.

	Amount	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Enterprise fund				
CalTRUST [1]	$ 15,278,857	-	Daily	1 day
Fiduciary fund				
S&P 500 Index Fund [2]	45,559,187	-	Daily	1 day
MSCI EAFE Index Fund [3]	10,483,331	-	Semi-monthly	6-8 days
International Equity Fund [4]	25,596,839	-	Monthly	7 days
International Small Capital Equity Fund [5]	13,788,326	-	Monthly	2 days
International Emerging Markets Fund [6]	15,448,346	-	Daily	1 day
Total fiduciary fund	110,876,029			
Total investments measured at NAV	$ 126,154,886			

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

2. CASH AND INVESTMENTS (Continued)

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.

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. The Trust has one dealing day per month, which is the first business day, and units are issued based upon a valuation on the last business day of the preceding month.

5. International Small Capital Equity Fund. The fund intends to utilize a set of valuation, momentum and economic factors to generate an investment portfolio based on security selection procedures geared to assist the fund in meeting its investment objectives. The fund generally will be managed by underweighting and overweighting securities relative to the benchmark. The investment objective is to outperform the MSCI EAFE Small Cap Index over a full market cycle. The fair value of the investment in this type has been determined using the NAV per unit of the investment. The fund has one dealing day per month, which is the first business day, and notification is required at least two business days in advance of a subscription or withdrawal.

6. 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, 2017, cash and investments include restricted amounts of $30,664,073. Amounts represent monies restricted for retirement of debt of $9,631,206, developer fee projects of $12,026,349, and grantor-approved projects of $9,006,518.

Fiduciary Funds

At June 30, 2017, cash and investments include restricted amounts of the Pension Trust Funds of $280,118,394. Amounts represent funds restricted for employees' retirement.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Transfers	Deletions	Balance June 30, 2017
Non-Depreciated Capital Assets					
Land*	$ 90,926,871	$ 221,121	$ -	$ -	$ 91,147,992
Capital Projects in Process	42,930,233	13,600,959	(25,505,822)	-	31,025,370
Total Non-Depreciated Capital Assets	133,857,104	13,822,080	(25,505,822)	-	122,173,362
Depreciated Capital Assets					
Buildings and Improvements*	966,736,934	254,687	7,510,740	-	974,502,361
Buses and Other Equipment	317,697,333	21,754,806	17,995,082	(21,903,370)	335,543,851
Total Depreciated Capital Assets	1,284,434,267	22,009,493	25,505,822	(21,903,370)	1,310,046,212
Accumulated Depreciation:					
Buildings and Improvements	(293,578,640)	(24,951,724)	-	-	(318,530,364)
Buses and Other Equipment	(170,997,570)	(19,427,134)	-	21,903,370	(168,521,334)
Total Accumulated Depreciation	(464,576,210)	(44,378,858)	-	21,903,370	(487,051,698)
Capital Assets Being Depreciated, Net	819,858,057	(22,369,365)	25,505,822	-	822,994,514
Capital Assets, Net	$ 953,715,161	$ (8,547,285)	$ -	$ -	$ 945,167,876

*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 since the lease term exceeds the useful life of the asset. 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 2017 was $3,896,750. Of this amount, interest in the amount of $458,553 was capitalized in fiscal year 2017. The cumulative capitalized interest on these bonds is $10,326,681 at June 30, 2017.

4. LEASES

OPERATING LEASES

The District leases buildings, parking lots, and office facilities under non-cancelable operating leases. Total cost for such leases was $325,066 for the fiscal year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

Year Ending June 30		Amount
2018	$	182,276
2019		75,653
2020		50,400
2021		48,000
2022		44,000
Total	$	400,329

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.

4. LEASES (Continued)

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 the fiscal year ending June 30, 2017, the District amortized $419,763 of such deferred gain. At June 30, 2017, the District had a balance of $7,345,849 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 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

4. LEASES (Continued)

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, 2017, the balance of this deposit was $40,740,724.

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

Future minimum payments due in fiscal years ending June 30:	Amount
2018	$ -
2019	-
2020	-
2021	-
2022	-
2023-2027	-
2028-2032	14,252,635
2033-2036	83,679,455
Total future minimum payments	97,932,090
Less: imputed interest	(57,191,366)
Present value of minimum lease payments	$ 40,740,724

5. 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 and matures on September 30, 2017. Subsequent to fiscal year end the credit agreement with US Bank was amended and now expires on September 29, 2018. 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, 2017.

As of June 30, 2017, 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, 2017, is summarized as follows:

Beginning Balance	$	27,000,000
Draws		50,100,000
Payments		(61,100,000)
Ending Balance	$	16,000,000

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.

6. LONG-TERM DEBT (Continued)

CURRENT YEAR DEFEASANCE

On February 14, 2017 the District placed into an irrevocable trust escrow account $45,400,732 for the purpose of paying debt service for fiscal years 2017 through 2019, based upon the original 2012 amortization schedule, and legally defeasing $33,142,500 of the Series 2012 Farebox Revenue Bonds to receive level savings on future debt service payments beginning in fiscal year 2020 through fiscal year 2042.

The net cash flow to continue normal payments on the 2012 Farebox Revenue Bonds through 2042 was $142,723,500, at the time of defeasance. The subsequent debt service payments totaled $78,074,275, for a savings of $64,649,225. The present value of savings was $44,232,947.

However, an economic loss (difference between the present value of the old and new debt service payments) was generated by the partial defeasance of the 2012 Farebox Revenue Bonds. The economic loss was determined via present value of savings from cash flow of $44,232,947 less the refunding cash on hand on the date of defeasance of $48,944,160, resulting in an economic loss of $4,711,213.

The total principal and interest remaining to be paid on the Revenue Bonds was $78,074,275 at June 30, 2017. All principal and interest payments for the years ending June 30, 2017, 2018, and 2019 are being paid out of an irrevocable trust escrow account established with the February 14, 2017 partial defeasance. Annual principal and interest payments on the Revenue Bonds are not expected to require funding from farebox revenues. Farebox revenues were $30,487,098 for the fiscal year ending June 30, 2017.

As of June 30, 2017, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2018	$ -	$ -	$ -
2019	-	-	-
2020	862,500	1,711,575	2,574,075
2021	1,210,000	2,224,600	3,434,600
2022	1,270,000	2,164,100	3,434,100
2023-2027	7,355,000	9,803,500	17,158,500
2028-2032	9,395,000	7,770,500	17,165,500
2033-2037	11,740,000	5,411,500	17,151,500
2038-2042	14,855,000	2,301,000	17,156,000
Total	$ 46,687,500	$ 31,386,775	$ 78,074,275

6. LONG-TERM DEBT (Continued)

As of June 30 2017, the unamortized premium associated with the Revenue Bonds was $4,329,796. The amortization of the premium for fiscal year ended June 30, 2017, was $2,954,135.

As of June 30, 2017, the Districted reported compliance with all financial covenants of the Farebox Revenue Bonds.

LOANS PAYABLE

Loans payable at June 30, 2017, 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, 2017, the principal balance of the PTA loan was $13,988,074 and accrued interest was $137,774.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
2012 Revenue Bonds	$ 79,830,000	$ -	$ (33,142,500)	$ 46,687,500	$ -
Issuance Premium	7,283,931	-	(2,954,135)	4,329,796	175,532
Total 2012 Revenue Bonds	87,113,931	-	(36,096,635)	51,017,296	175,532
Compensated Absences	10,049,131	7,337,765	(7,454,321)	9,932,575	7,405,994
Net Pension Liability	92,413,915	44,495,872	(20,408,463)	116,501,324	-
Loans Payable	13,988,074	-	-	13,988,074	-
Advances from Other Governments	27,929,822	9,935,857	(14,247,455)	23,618,224	7,010,071
Claims Payable	19,871,339	6,338,724	(3,712,225)	22,497,838	7,754,291
Lease/Leaseback Payable	38,752,526	1,988,198	-	40,740,724	-
Long-Term Liabilities	$ 290,118,738	$ 70,096,416	$ (81,919,099)	$ 278,296,055	$ 22,345,888

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, 2017, is comprised of the following:

	2017
Operating assistance grants:	
FTA Section 5307	$ 23,551,870
FTA Section 5337	11,580,302
FTA Section 5309	407,971
Dept of Homeland Security	68,161
FTA Section 5339	2,400
Total Federal operating assistance grants	35,610,704
Capital grants:	
FTA Section 5309	2,934,484
FTA Section 5307	4,734,972
FTA Section 5339	743,139
FTA Section 5317	600,418
Total Federal capital grants	9,013,013
Total Federal operating and capital grants	$ 44,623,717

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 five 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 qualifies for and receives 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, 2017, is comprised of the following:

Operating assistance grants:	
Measure A Sales Tax Revenue	$ 39,131,573
Local Transportation Funds	38,731,878
State Transit Assistance	7,156,739
Low Carbon Transit Operations Program	1,891,065
Total state and local operating assistance grants	86,911,255
Capital grants:	
Traffic Congestion Relief Program	42,129,104
Proposition 1B	13,787,196
Sacramento Area Council of Governments	2,898,123
Transit and Intercity Rail Program	2,791,534
Sacramento Housing and Redevelopment	134,138
Measure A Sales Tax Revenue	131,923
Department of Transportation	61,497
County of Sacramento	(1,195,850)
Developer Fees	(2,544,046)
Other	49,590
Total state and local capital grants	58,243,209
Total state and local grants	$ 145,154,464

7. FUNDING SOURCES (Continued)

ADVANCES FROM OTHER GOVERNMENTS

Advances from other governments at June 30, 2017, consisted of the following:

Developer Fees	$	12,021,297
Proposition 1B		5,403,084
Sacramento Emergency Clean Air & Transportation (SECAT)		2,203,213
Environmental Council of Sacramento (ECOS)		1,693,695
Sacramento County		1,229,803
Low Carbon Operations Transit Program		1,053,316
Other		13,816
Total advances from other governments	$	23,618,224

The advances from other governments are grants, fees from area developers designated specifically for transit improvements, and lawsuit settlement proceeds received, but not yet spent; utilized principally for capital projects. 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 RECOVERY 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 Recovery 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, 2017:

Fare Revenues	$	30,487,098
Local Fund Supplementation (Measure A)		8,227,464
Total Revenues	$	38,714,561
Operating Expenses	$	212,283,275
Less Allowable Exclusions:		
Depreciation and Amortization		(43,959,095)
Net Operating Expenses	$	168,324,180
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

As discussed in Note 1 to the financial statements, the ATU Plan and IBEW Plan were accounted for as one plan for accounting purposes prior to 2017. Effective July 1, 2016, separate trust agreements and financial record keeping were created for the ATU Plan and IBEW Plan based on actuarial calculations and trustee transactions. Each trust allows for accumulation of assets solely for the payment of benefits to plan members. The changes were approved and required by the Internal Revenue Service in order to establish the individual trusts. Prior to July 1, 2016, the ATU Plan and the IBEW Plan were accounted for by the District as one plan (collectively, the ATU/IBEW Plan). Because the District reports its pension activity on a one year lag from the pension plans, information reported in this note disclosure reflects the combined ATU/IBEW Plan which still existed on the District's reporting date of June 30, 2016.

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 Retirement 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.

9. PENSION PLANS (Continued)

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 and Salaried Plans 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.

Plan Transfers – Transfers between Plans occur when an active employee of any Plan transfers to a new position within a different Plan. 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 (PEPRA), Tier 2 was created in the ATU, IBEW and Salaried Plans, as well as a Tier 3 for the ATU only. 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.

- 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.

- ATU – 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, 2016, Tier 3 consists of all employees hired during the time period January 1, 2015 to December 31, 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 and Tier 3 are closed to new entrants as all newly hired employees will be placed into the respective Tier 2 plans.

Plan Termination – If the ATU, IBEW or Salaried Plans are 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.

9. PENSION PLANS (Continued)

BENEFITS PROVIDED

Contributions to the ATU, IBEW and Salaried Plans are authorized or amended by the Retirement Boards 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 Tier 1, Tier 2, and Tier 3 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.

ATU, IBEW and Salaried Plan membership for Tier 1, Tier 2 and Tier 3 at June 30, 2017, consisted of:

	ATU	IBEW	Salaried
Retirees and beneficiaries currently receiving benefits	436	128	300
Terminated members entitled to but not yet collecting benefits	21	19	51
Current active members	529	197	223
	986	344	574

9. PENSION PLANS (Continued)

Table 1 below presents a summary of the retirement benefits for Tier 1 and Tier 3 employees for each of the employee groups represented by the ATU, IBEW and Salaried Plans for fiscal year ending June 30, 2017.

Table 1

TIER 1 & TIER 3	**ATU Plan**	**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.					
Vacation and sick leave sell back towards pension calculation	Allowable	Allowable	Allowable	Allowable	Allowable	Allowable
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, 2017.

Table 2

TIER 2	**ATU Plan**	**IBEW Plan**	**Salaried Plan**			
Employee Unions/Groups	**ATU**	**IBEW**	**AFSCME - Technical**	**AFSCME - Supervisors**	**AEA**	**MCEG**
Plan Terms	PEPRA	MOU	MOU	PEPRA	PEPRA	PEPRA
Vesting Period: Years of Service - % Vested	5 - 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					
Vacation and sick leave sell back towards pension calculation	Not Allowable	Allowable	Allowable	Not Allowable	Not Allowable	Not Allowable
Disability Retirement Multiplier	If allowable, equal to applicable retirement age multiplier or 2% if age and service are not met. Vesting required					

The retirement ages, years of service and pension calculation multipliers vary by employee union/group. The multipliers and years of service range from 2% at age 55 or 25 years of service to 2.5% at age 60 or 30 or more years of service for Tier 1 and Tier 3. Tier 2 is varied depending on the bargaining unit's MOU and PEPRA regulations.

Contributions

The ATU, IBEW and Salaried Plans' funding policies provide for actuarially determined periodic contributions. Contribution rates for retirement benefits are determined using the entry age normal cost method and are approved by the Retirement Boards of Directors annually. During the fiscal year ended June 30, 2017, the District made 100% of the actuarially determined contributions. Contributions to the ATU, IBEW, and Salaried Plan for fiscal year ended June 30, 2017, were $7,987,367, $3,315,379, $7,321,138, respectively.

9. PENSION PLANS (Continued)

Table 3 presents the employer and employee contribution rates and for Tier 1 and Tier 3 employees as of June 30, 2017:

Table 3

	Tier 1		Tier 3	
Employee Group	**Employer**	**Employee**	**Employer**	**Employee**
ATU	27.10%	0.00%	24.10%	3.00%
IBEW	27.10%	0.00%	-	-
AEA, MCEG and AFSCME	31.48%	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 4 presents the employer and employee contribution rates for Tier 2 employees as of June 30, 2017:

Table 4

	Tier 2	
Employee Group	**Employer**	**Employee**
ATU	20.60%	6.50%
IBEW	22.60% to 25.60%	1.50% to 4.50%
AFSCME - Technical	26.98% to 29.98%	1.50% to 4.50%
AEA, MCEG, and AFSCME - Supervisors	27.73%	3.75%

The employee contributions to the ATU, IBEW, and Salaried Plan for the fiscal year ended June 30, 2017, were $168,463, $39,287, and $53,706, respectively.

The employee contribution rates calculated in compliance with PEPRA, for June 30, 2017, were actuarially determined as part of the valuations dated July 1, 2015.

9. PENSION PLANS (Continued)

NET PENSION LIABILITY

The District's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, and projected to June 30, 2016 for the ATU, IBEW and Salaried Plans. As of July 1, 2016, separate trust agreements and financial record keeping were created for the ATU Plan and IBEW Plan based on actuarial calculations and trustee transactions. The ATU received 70.88% and the IBEW received 29.12% of the assets and liabilities. The Plans were split using the methodology outlined in the July 1, 2015 actuarial valuation taking into account both inactive and active liabilities. As of the measurement date June 30, 2016, the ATU and IBEW Plans were still combined for reporting purposes; therefore, the total and net pension liability disclosures below are combined. The ATU and IBEW Plan information will be presented separately for financial statement disclosure for the year ending June 30, 2018. Update procedures were used to roll forward the total pension liability to the measurement date. The reporting date is June 30, 2017, for all Plans.

Actuarial Assumptions – The total pension liability in the June 30, 2016 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement for the ATU, IBEW, and Salaried Plans. The following changes to actuarial assumptions were made between the fiscal year ending June 30, 2017 and 2016 for the ATU, IBEW and Salaried Plans: the investment rate of return and discount rate was reduced from 7.65% to 7.50%, the real investment rate of return rate decreased from 4.50% to 4.35%.

Inflation	3.15%
Amortization growth rate	3.15%
Salary Increases	3.15%, plus merit component
Investment Rate of Return	7.50%, net of investment expense
Discount Rate	7.50%

Mortality rates were based on the RP-2014 Combined Blue Collar Mortality, adjusted by 115% for males and 130% for females, with generational projection using Scale MP-215 for the ATU/IBEW Plan, and the RP-2014 Retired Pensioners Mortality, adjusted by 130% for females, with generational projection using Scale MP-2015 for the Salaried Plan.

The actuarial assumptions used in the July 1, 2015 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 the ATU, IBEW, and the Salaried Plans, 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 7.50%. 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.

9. PENSION PLANS (Continued)

CHANGES IN THE NET PENSION LIABILITY

Table 5 below presents the changes in the net pension liability for the ATU/IBEW Plan as of June 30, 2017:

Table 5

	ATU/IBEW Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2016	$ 222,705,517	$ 172,106,054	$ 50,599,463
Changes for the year:			
Service Cost	5,760,060	-	5,760,060
Interest	16,758,356	-	16,758,356
Differences between expected and actual experience	(1,456,639)	-	(1,456,639)
Changes of assumptions	8,176,501	-	8,176,501
Contributions - employer	-	10,447,190	(10,447,190)
Contributions - member	-	54,714	(54,714)
Net Investment Income	-	(1,121,417)	1,121,417
Benefit Payments, including refunds of employee contributions	(13,180,874)	(13,180,874)	-
Administrative Expense	-	(290,647)	290,647
Net Changes	16,057,404	(4,091,034)	20,148,438
Balances at 6/30/2017	$ 238,762,921	$ 168,015,020	$ 70,747,901

9. PENSION PLANS (Continued)

Table 6 below presents the changes in net pension liability for the Salaried Plan as of June 30, 2017:

Table 6

	Salaried Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2016	$ 116,410,752	$ 74,596,300	$ 41,814,452
Changes for the year:			
Service Cost	3,594,919		3,594,919
Interest	8,807,953		8,807,953
Differences between expected and actual experience	(852,040)		(852,040)
Changes of assumptions	(680,161)		(680,161)
Contributions - employer	-	7,576,866	(7,576,866)
Contributions - member	-	21,014	(21,014)
Net Investment Income	-	(396,556)	396,556
Benefit Payments, including refunds of employee contributions	(6,190,981)	(6,190,981)	-
Administrative Expense	-	(269,624)	269,624
Net Changes	4,679,690	740,719	3,938,971
Balances at 6/30/2017	$ 121,090,442	$ 75,337,019	$ 45,753,423

9. PENSION PLANS (Continued)

Table 7 below presents the changes in net pension liability combined for the ATU/IBEW and Salaried Plans as of June 30, 2017:

Table 7

	ATU/IBEW and Salaried Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2016	$ 339,116,269	$ 246,702,354	$ 92,413,915
Changes for the year:			
Service Cost	9,354,979	-	9,354,979
Interest	25,566,309	-	25,566,309
Differences between expected and actual experience	(2,308,679)	-	(2,308,679)
Changes of assumptions	7,496,340	-	7,496,340
Contributions - employer	-	18,024,056	(18,024,056)
Contributions - member	-	75,728	(75,728)
Net Investment Income	-	(1,517,973)	1,517,973
Benefit Payments, including refunds of employee contributions	(19,371,855)	(19,371,855)	-
Administrative Expense	-	(560,271)	560,271
Net Changes	20,737,094	(3,350,315)	24,087,409
Balances at 6/30/2017	$ 359,853,363	$ 243,352,039	$ 116,501,324

There are no special funding situations for either the ATU/IBEW Plan or the Salaried Plan for the fiscal year ending June 30, 2017.

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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's net pension liability:			
ATU/IBEW Plan	$ 95,766,377	$ 70,747,901	$ 49,385,608
Salaried Plan	59,936,123	45,753,423	33,722,287
Total	$ 155,702,500	$ 116,501,324	$ 83,107,895

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, 2017, was $13,006,606 and $7,625,561, respectively, totaling $20,632,167. At June 30, 2017, 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	$ 11,920,498	$ -
Salaried Plan	5,098,629	-
Differences between expected and actual experience:		
ATU/IBEW Plan	-	2,636,200
Salaried Plan	-	1,058,170
Changes of assumptions:		
ATU/IBEW Plan	7,351,987	-
Salaried Plan	465,431	544,129
Total of inflows and outflows before employer contributions	24,836,545	4,238,499
Employer contributions subsequent to the measurement date of the net pension liability:		
ATU/IBEW Plan	11,302,746	-
Salaried Plan	7,321,138	-
Total employer contributions	18,623,884	-
Total deferred inflows and outflows	$ 43,460,429	$ 4,238,499

Deferred outflows of resources resulting from contributions made subsequent to the measurement date in the amount of $18,623,884 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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
2018	$ 3,306,875	$ 723,395	$ 4,030,270
2019	3,306,874	723,392	4,030,266
2020	5,843,355	1,592,239	7,435,594
2021	4,179,181	922,735	5,101,916
2022	-	-	-
Thereafter	-	-	-
Total	$ 16,636,285	$ 3,961,761	$ 20,598,046

9. PENSION PLANS (Continued)

PAYABLE TO THE PENSION PLAN

At June 30, 2017, the District reported a receivable from the ATU, IBEW, and Salaried Plans of $285,369, $67,672, and $72,986, respectively. The receivables from the Plans are the differences between required contributions and payments to vendors made by the District on behalf of the Plans.

10. OTHER POST-EMPLOYMENT BENEFITS

DESCRIPTION OF THE PLANS

The District provides health care benefits under provisions of Personnel Rules and Procedures, Collective Bargaining Agreements and certain Calpers requirements 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 subsidized medical benefits for the ATU and IBEW active and retired members. The funds in the CERBT are held in trust and will be administered by the California Public Employees' Retirement System (CalPERS) as an agent multiple-employer plan. Benefit provisions are established and may be amended by District labor agreements which are approved by the Board of Directors. The District's Other Post-Employment Benefits (OPEB) financial statements will be included in the CalPERS CAFR. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

FUNDING POLICY

The District received Board approval on July 25, 2011, to create sub-accounts within the AEA, AFSCME, and MCEG's irrevocable trust to prefund the ATU and IBEW's required contribution for their respective health benefits. The obligation of the District to contribute to the plans is established by the Board of Directors. The District currently funds the OPEB at 100% of the 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 670 retirees and/or their beneficiaries were eligible to receive such benefits at June 30, 2017.

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 No. 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.

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

FUNDING POLICY (Continued)

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.

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

The ARC for the fiscal year ended June 30, 2017, was determined as part of the July 1, 2015, actuarial valuation. As of June 30, 2017, the ARC was $3,654,991. 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	$ 3,654,991
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	3,654,991
Contributions Made	(3,654,991)
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, 2017, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2015	$ 2,743,750	100.0%	-
06/30/2016	$ 3,545,336	100.0%	-
06/30/2017	$ 3,654,991	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, 2016, was as follows:

Actuarial Accrued Liability (AAL)	$ 49,486,152
Actuarial Value of Plan Assets	15,244,408
Unfunded Actuarial Accrued Liability (UAAL)	$ 34,241,744
Funded Ratio (Actuarial Value of Plan Assets/AAL)	30.81%
Covered Payroll (Active Plan Members)	$ 22,545,072
UAAL as a Percentage of Covered Payroll	151.88%

ANNUAL OPEB COST AND NET OPEB OBLIGATION – ATU

The ARC for the fiscal year ended June 30, 2017, was determined as part of the July 1, 2015 actuarial valuation. As of June 30, 2017, the ARC was $1,478,274. 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	$ 1,478,274
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	1,478,274
Contributions Made	(1,478,274)
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, 2017, and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2015	$ 583,471	100.0%	$ -
06/30/2016	$ 1,433,363	100.0%	$ -
06/30/2017	$ 1,478,274	100.0%	$ -

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

FUNDING STATUS AND FUNDING PROGRESS – ATU

The funded status of the plan as of July 1, 2016, was as follows:

Actuarial Accrued Liability (AAL)	$	14,630,807
Actuarial Value of Plan Assets		4,336,203
Unfunded Actuarial Accrued Liability (UAAL)	$	10,294,604
Funded Ratio (Actuarial Value of Plan Assets/AAL)		29.64%
Covered Payroll (Active Plan Members)	$	24,471,474
UAAL as a Percentage of Covered Payroll		42.07%

ANNUAL OPEB COST AND NET OPEB OBLIGATION – IBEW

The ARC for the fiscal year ended June 30, 2017, was determined as part of the July 1, 2015 actuarial valuation. As of June 30, 2017, the ARC was $610,538. 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	$	610,538
Interest on Net OPEB Obligation		-
Adjustment to Annual Required Contribution		-
Annual OPEB Cost (Expense)		610,538
Contributions Made		(610,538)
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, 2017, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2015	$ 193,581	100.0%	$ -
06/30/2016	$ 591,866	100.0%	$ -
06/30/2017	$ 610,538	100.0%	$ -

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

FUNDING STATUS AND FUNDING PROGRESS – IBEW

The funded status of the plan as of July 1, 2016, was as follows:

Actuarial Accrued Liability (AAL)	$	5,065,678
Actuarial Value of Plan Assets		1,599,064
Unfunded Actuarial Accrued Liability (UAAL)	$	3,466,614
Funded Ratio (Actuarial Value of Plan Assets/AAL)		31.57%
Covered Payroll (Active Plan Members)	$	10,432,521
UAAL as a Percentage of Covered Payroll		33.23%

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 7.50% for fiscal year 2017, reduced by decrements of 0.50% 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, 2017, was developed using a 25-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, 2017:

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 $22,497,838 reported at June 30, 2017, 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, 2017, the Public Liability and Property Damage (PLPD) liability is discounted using a discount factor of 1.0% as the District holds in a reserve fund of $3,190,277 at June 30, 2017. 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, 2017 and 2016, 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, 2017	$ 19,871,339	$ 6,338,724	$ (3,712,225)	$ 22,497,838
June 30, 2016	$ 19,049,013	$ 4,330,246	$ (3,507,920)	$ 19,871,339

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 $20,506,137 at June 30, 2017. 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, 2017, was as follows:

Receipts	$ 11,844,196
Expenditures:	
LRT Crossing Enhancements	(13,983)
UTDC Retrofit	(2,337,789)
Bus Maintenance Facility	(146,634)
ADA Transit Plan Improvements	(14,561)
South Line Phase 2 Extension	(1,362,157)
Connect Card	(29,882)
29th Street Station Enhancements	(11,658)
Replace Non-Revenue Vehicles	(165,807)
Downtown/Riverfront Streetcar	(62,587)
CNG Bus Replacement 40'	(7,698,069)
Fulton Bus Shelter	(1,069)
Net Activity	**$ -**

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

ATU/IBEW PLAN

	2017	2016	2015
Total pension liability			
Service cost	$ 5,760,060	$ 5,753,143	$ 5,599,479
Interest	16,758,356	16,384,487	15,740,342
Difference between expected and actual returns	(1,456,639)	(2,941,777)	-
Changes of assumptions	8,176,501	1,621,574	-
Transfers out - Salaried Plan	-	-	(174,166)
Benefit payments, including refunds of member contributions	(13,180,874)	(13,157,985)	(12,877,177)
Net change in total pension liability	16,057,404	7,659,442	8,288,478
Total pension liability - beginning	222,705,517	215,046,075	206,757,597
Total pension liability - ending	$ 238,762,921	$ 222,705,517	$ 215,046,075
Plan fiduciary net position			
Contributions - employer	$ 10,447,190	$ 10,343,620	$ 9,711,107
Contributions - member	54,714	3,682	22,425
Net investment income	(1,121,417)	4,609,506	22,631,819
Transfers out - salaried plan	-	-	(174,166)
Benefit payments, including refunds of member contributions	(13,180,874)	(13,157,985)	(12,877,177)
Administrative expense	(290,647)	(190,442)	(230,365)
Net change in plan fiduciary net position	(4,091,034)	1,608,381	19,083,643
Plan fiduciary net position - beginning	172,106,054	170,497,673	151,414,030
Plan fiduciary net position - ending	$ 168,015,020	$ 172,106,054	$ 170,497,673
Net pension liability - beginning	50,599,463	44,548,402	$ 55,343,567
Net pension liability - ending	$ 70,747,901	$ 50,599,463	$ 44,548,402
Plan fiduciary net position as a percentage of the total pension liability	70.37%	77.28%	79.28%
Covered payroll	$ 39,996,326	$ 37,950,269	$ 38,857,668
Net pension liability as a percentage of covered payroll	176.89%	133.33%	114.65%

Notes to Schedule:

Benefit changes – There were no substantial changes to the benefits in FY2017.

Changes of assumptions – the investment rate of return and discount rate was reduced from 7.65% to 7.50%, during the year ended June 30, 2016, 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. Future years will be added for the ATU and IBEW as stand-alone plans based on the changes discussed in Note 1 and Note 9 of the financial statements.

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

SALARIED PLAN

	2017	2016	2015
Total pension liability			
Service cost	$ 3,594,919	$ 3,476,103	$ 3,321,337
Transfers In - ATU/IBEW plan	-	-	174,166
Interest (includes interest on service cost)	8,807,953	8,434,365	7,978,675
Difference between expected and actual returns	(852,040)	(753,076)	-
Changes of assumptions	(680,161)	930,863	-
Benefit payments, including refunds of member contributions	(6,190,981)	(5,502,144)	(5,664,400)
Net change in total pension liability	4,679,690	6,586,111	5,809,778
Total pension liability - beginning	116,410,752	109,824,641	104,014,863
Total pension liability - ending	$ 121,090,442	$ 116,410,752	$ 109,824,641
Plan fiduciary net position			
Contributions - employer	$ 7,576,866	$ 7,335,308	$ 6,609,083
Contributions - member	21,014	261	1,678
Transfers in - ATU/IBEW plan	-	-	174,166
Net investment income	(396,556)	2,132,136	9,297,644
Benefit payments, including refunds of member contributions	(6,190,981)	(5,502,144)	(5,664,400)
Administrative expense	(269,624)	(194,209)	(176,367)
Net change in plan fiduciary net position	740,719	3,771,352	10,241,804
Plan fiduciary net position - beginning	74,596,300	70,824,948	60,583,144
Plan fiduciary net position - ending	$ 75,337,019	$ 74,596,300	$ 70,824,948
Net pension liability - beginning	41,814,452	38,999,693	43,431,719
Net pension liability - ending	$ 45,753,423	$ 41,814,452	$ 38,999,693
Plan fiduciary net position as a percentage of the total pension liability	62.22%	64.08%	64.49%
Covered payroll	$ 24,341,878	$ 23,022,281	$ 22,008,809

Notes to Schedule:

Benefit changes – There were no substantial changes to the benefits in FY2017.

Changes of assumptions – the investment rate of return and discount rate was reduced from 7.65% to 7.50%, during the year ended June 30, 2016, 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
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 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 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 7/1/2015 (to determine FY16-17 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 17 year period as of 7/1/2015
Asset valuation method	5-year smoothed market
Discount Rate	7.65%
Amortization growth rate	3.15%
Price inflation	3.15%
Salary Increases	3.15%, 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, 2017, can be found in the July 1, 2015 actuarial valuation report. Future years will be added for the ATU and IBEW as stand-alone plans based on the changes discussed in Note 1 and Note 9 of the financial statements.

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

SALARIED PLAN
(Dollar amounts in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
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 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 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	7/1/2015 (to determine FY16-17 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 17 year period as of 7/1/2015
Asset valuation method	5-year smoothed market
Discount Rate	7.65%
Amortization growth rate	3.15%
Price inflation	3.15%
Salary Increases	3.15%, 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, 2017, can be found in the July 1, 2015 actuarial valuation report.

SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
AS OF JUNE 30, 2017

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	15,244,408	49,486,152	34,241,744	30.81%	22,545,072	151.88%

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	4,336,203	14,630,807	10,294,604	29.64%	24,471,474	42.07%

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	1,599,064	5,065,678	3,466,614	31.57%	10,432,521	33.23%

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, 2017

	ATU	IBEW	Salaried	Total
ASSETS				
Assets:				
Cash and Cash Equivalents	$ 2,372,976	$ 978,186	$ 1,497,515	$ 4,848,677
Receivables:				
Securities Sold	2,049,009	833,196	1,187,135	4,069,340
Interest and Dividends	214,924	87,591	126,412	428,927
Other Receivables and Prepaids	12,619	11,512	11,846	35,977
Total Receivables	2,276,552	932,299	1,325,393	4,534,244
Investments:				
Equity Securities	85,304,971	35,645,247	58,411,300	179,361,518
Fixed Income Securities	48,433,618	19,661,325	27,813,256	95,908,199
Total Investments	133,738,589	55,306,572	86,224,556	275,269,717
Total Assets	138,388,117	57,217,057	89,047,464	284,652,638
LIABILITIES				
Liabilities:				
Securities Purchased Payable	7,367,193	2,992,346	4,242,494	14,602,033
Accounts Payable	432,469	139,592	172,660	744,721
Total Liabilities	7,799,662	3,131,938	4,415,154	15,346,754
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 130,588,455	$ 54,085,119	$ 84,632,310	$ 269,305,884

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

	ATU	IBEW	Salaried	Total
ADDITIONS				
Contributions:				
Employer	$ 7,987,367	$ 3,315,379	$ 7,321,138	$ 18,623,884
Member	168,463	39,287	53,706	261,456
Total Contributions	8,155,830	3,354,666	7,374,844	18,885,340
Investment Income:				
Net Decrease in Fair Value of Investments	13,054,187	4,831,699	8,574,742	26,460,628
Interest, Dividends, and Other Income	1,922,434	707,950	1,159,507	3,789,891
Investment Expenses	(556,634)	(207,237)	(345,373)	(1,109,244)
Net Investment Gain	14,419,987	5,332,412	9,388,876	29,141,275
Total Additions	22,575,817	8,687,078	16,763,720	48,026,615
DEDUCTIONS				
Benefits Paid to Participants	10,776,986	3,281,167	7,179,362	21,237,515
Administrative Expenses	306,818	239,370	289,067	835,255
Total Deductions	11,083,804	3,520,537	7,468,429	22,072,770
Net Increase in Net Position	11,492,013	5,166,541	9,295,291	25,953,845
Net Position Held in Trust for Pension Benefits - July 1	119,096,442	48,918,578	75,337,019	243,352,039
Net Position Held in Trust for Pension Benefits - June 30	$ 130,588,455	$ 54,085,119	$ 84,632,310	$ 269,305,884

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.*

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Position										
Net Investment in Capital Assets	$ 752,243	$ 771,045	$ 770,304	$ 778,152	$ 787,711	$ 799,650	$ 798,019	$ 864,160	$ 878,849	$ 889,347
Restricted for:										
Capital Projects	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	2,695	1,446	(2,093)	(4,287)	(526)	1,689	31,723	(48,259)	(50,474)	(48,012)
Total Net Position	$ 756,637	$ 775,071	$ 770,052	$ 775,705	$ 791,658	$ 806,463	$ 833,232	$ 819,481	$ 830,205	$ 841,335

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues										
Fares	$ 29,866	$ 32,571	$ 30,864	$ 28,967	$ 28,964	$ 29,759	$ 29,157	$ 28,396	$ 28,056	$ 30,487
Operating Expenses										
Labor and Fringe Benefits	93,780	91,580	91,203	79,366	82,209	88,064	94,755	93,182	99,692	108,886
Professional and Other Services	26,505	26,584	24,797	20,720	21,417	24,996	26,130	27,533	29,332	30,342
Spare Parts and Supplies	12,188	12,950	11,044	8,524	9,785	10,517	11,996	10,549	8,526	11,996
Utilities	5,550	5,545	5,531	5,741	5,587	5,639	5,646	5,816	6,288	6,619
Casualty and Liability Costs	11,159	7,104	2,286	6,540	6,353	7,910	8,343	7,906	7,160	9,317
Depreciation and Amortization	28,445	30,699	30,870	31,238	31,392	31,380	33,982	34,128	39,925	43,959
Indirect Costs Allocated to Capital Programs	-	(2,172)	(863)	(881)	(824)	(763)	(887)	(1,204)	(1,038)	(538)
Other	1,896	1,680	1,402	1,547	1,492	1,396	1,460	1,541	1,434	1,702
Total Operating Expenses	179,524	173,970	166,270	152,795	157,411	169,139	181,426	179,450	191,318	212,283
Operating Loss	(149,658)	(141,399)	(135,407)	(123,828)	(128,447)	(139,380)	(152,269)	(151,054)	(163,263)	(181,796)
Non-Operating Revenues (Expenses)										
Operating Assistance:										
State and Local	84,558	70,725	58,135	58,109	69,132	72,723	78,318	80,350	81,518	86,911
Federal	22,804	30,788	34,552	27,374	28,670	31,007	32,620	32,764	36,156	35,611
Investment Income	8,145	8,911	6,439	4,113	2,456	1,755	1,941	1,996	2,129	2,124
Interest Expense	(7,951)	(9,154)	(6,792)	(4,401)	(2,722)	(2,522)	(3,223)	(2,982)	(3,675)	(2,352)
Pass Through to Subrecipients	(1,378)	(478)	(3,638)	(4,043)	(4,216)	(1,672)	(3,401)	(2,933)	(2,030)	(1,075)
Professional and Other Services-Funded	-	-	-	-	-	-	-	-	-	(6,161,752)
Contract Services	4,732	4,311	4,599	4,362	5,245	5,607	5,530	5,810	6,110	6,260
Other	4,336	3,304	2,758	3,946	2,485	3,414	2,863	4,193	5,325	4,353
Total Non-Operating Revenues	115,246	108,407	96,052	89,461	101,049	110,310	114,648	119,197	125,533	125,669
Loss Before Capital Contributions	(34,412)	(32,992)	(39,355)	(34,367)	(27,398)	(29,071)	(37,620)	(31,857)	(37,730)	(56,127)
Capital Contributions										
State and Local	29,606	42,441	29,381	36,482	33,474	34,389	15,878	25,635	18,376	58,243
Federal	4,575	8,985	4,955	3,538	10,016	9,331	48,512	74,926	30,078	9,013
Increase (Decrease) in Net Position before Special Item	(230)	18,433	(5,019)	5,653	16,092	14,650	26,769	68,704	10,724	11,129
Extraordinary (Loss) Gain on Early Extinguishment of Debt	-	-	-	-	-	155	-	-	-	
Special Items	-	-	-	-	-	-	-	-	-	
Increase (Decrease) in Net Position after Special Item	$ (230)	$ 18,433	$ (5,019)	$ 5,653	$ 16,092	$ 14,805	$ 26,769	$ 68,704	$ 10,724	$ 11,129

Source: Comprehensive Annual Financial Report

Operating Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Farebox	Fare Prepayment/ Outlet Sales	Special/ Contracted	Other	Total
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
2017	8,028,861	18,729,711	3,719,407	9,119	30,487,098

Source: Comprehensive Annual Financial Report

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

Principal Fare Revenue Payers
Current Year and Nine Years Ago

Customers	Fiscal Year 2017 Sales Amount	Fiscal Year 2017 Sales %	Fiscal Year 2008 Sales Amount	Fiscal Year 2008 Sales %
Los Rios Community College District	$ 2,459,099	8.07%	$ -	
Department of Human Assistance	2,047,575	6.72%	1,951,033	9.95%
Raley's Family of Fine Stores	1,402,485	4.60%	-	0.00%
California State University Sacramento	1,141,769	3.75%	-	
Health & Human Services	1,027,377	3.37%	929,078	4.74%
Alta California Regional Center	1,007,500	3.30%	825,573	4.21%
Department of Transportation	996,440	3.27%	1,020,130	5.20%
California Environmental Protection Agency	948,816	3.11%	803,279	4.10%
Employment Development Department	911,065	2.99%	1,096,789	5.59%
Franchise Tax Board	905,670	2.97%	807,357	4.12%
County of Sacramento	576,825	1.89%	-	0.00%
Water Resources Department	549,750	1.80%	441,277	2.25%
Board of Equalization	524,700	1.72%	521,090	2.66%
Subtotal (10 Largest)	12,039,972	39.49%	8,395,606	42.81%
Balance from other customers	18,447,126	60.51%	11,213,686	57.19%
Grand Total	$ 30,487,098	100.00%	$ 19,609,292	100.00%

Grand Total Source: Comprehensive Annual Financial Report

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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
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%	27.83
2012	-	35,482,912	5,942,622	8,230,039	49,655,573	0.01%	21.02
2013	95,000,484	33,351,437	-	8,642,509	136,994,430	0.09%	57.42
2014	92,006,633	35,062,503	-	13,988,074	141,057,210	0.08%	58.42
2015	88,927,782	36,861,364	-	13,988,074	139,777,220	0.07%	57.17
2016	87,113,931	38,752,526	-	13,988,074	139,854,531	Not available	57.23
2017	51,017,296	40,740,724	-	13,988,074	105,746,094	Not available	42.76

Source: Comprehensive Annual Financial Report

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Fare Revenue	Non-Fare Revenues	Total Revenue	Less Operating Expense	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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
2017	30,487,098	131,596,154	162,083,252	157,379,743	4,703,509	33,142,500	-	0.14

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.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

Demographic and Economic Indicators
Last Ten Fiscal Years

	Population[1,2]		Personal Income[1,2] (In Thousands)		Per Capital Personal 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
2008	1,394,438	2,273,938	54,773,648	93,435,532	39,280	41,090	7.2%	7.4%
2009	1,408,601	2,298,630	53,826,177	91,656,582	38,213	39,874	11.0%	11.2%
2010	1,422,010	2,321,680	54,666,004	93,469,366	38,443	40,259	12.6%	12.7%
2011	1,435,548	2,342,797	57,498,308	98,692,407	40,053	42,126	12.1%	12.2%
2012	1,448,466	2,362,778	59,775,785	102,890,880	41,268	43,547	10.5%	10.7%
2013	1,462,338	2,385,958	61,654,690	106,063,477	42,162	44,453	8.9%	9.0%
2014	1,481,474	2,414,366	65,391,250	112,177,005	44,139	46,462	7.3%	7.4%
2015	1,501,335	2,445,149	69,870,482	119,593,593	46,539	48,911	6.0%	6.1%
2016	1,496,619	2,443,657	Not available	Not available	Not available	Not available	5.4%	5.5%
2017	1,514,770	2,473,098	Not available	Not available	Not available	Not available	4.9%	5.1%

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

1. 2007-2015 U.S. Department of Commerce, Bureau of Economic Analysis, *CA1-3 Personal income population, per capital personal income.*
2. 2016-2017 State of California, Department of Finance, E-1 City, County and State Population Estimates, 2016–2017.
3. State of California, Employment Development Department, Labor Force & Employment Data

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

Principal Employers
Current Year and Nine Years Ago

	Fiscal Year 2017			Fiscal Year 2008		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of California	74,462	1	10.73%	73,872	1	10.49%
Sacramento County	12,514	2	1.80%	14,513	2	2.06%
Kaiser Permanente	10,517	3	1.52%	6,260	6	0.89%
UC Davis Health	10,467	4	1.51%	7,927	3	1.13%
U.S. Government	10,322	5	1.49%			
Sutter Health	9,911	6	1.43%	7,140	4	1.01%
Dignity Health	8,039	7	1.16%	5,647	9	0.80%
Intel Corporation	6,000	8	0.86%	6,000	7	0.85%
Apple Inc.	5,000	9	0.72%			
Elk Grove Unified School District	4,620	10	0.67%			
Sacramento City Unified School District				7,000	5	0.99%
Los Rios Community College District				6,000	8	0.85%
San Juan Unified School District				4,999	10	0.71%
Total	151,852		21.88%	139,358		19.78%

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 2017 CAFR Page No.	FY 2017 Adopted Budget Page No.
Management Discussion and Analysis, Audited Financial Statements and Statistical Information	3-96	
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)	91,92,93,94	
Historical Operating Results	6,78,79	
Farebox Recovery Ratios (ii)	46,89	
Historical Nonoperating Revenues – 10 year funds (iii)	87,88	
Measure A Sales Tax Funding Trends (iv)	45,88	
LTF Revenues claimed and expended by the District (v)	45,88	
STA Funds Claimed and Utilized by the District (vi)	45,88	
Federal Grant Funds Utilized by the District (v)	44,87	
Adopted Operating Budget (vi)		50,51
Capital Project Expediture Plan		129

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 2017 CAFR Page No.
Punctual Payments	43	42
Application of Farebox Revenues	44	14

DISTRICT PROFILE
As of June 30, 2017

Date the Authority began Operations	April 1, 1973
Form of Governance	Board of Directors, with General Manager
Metropolitan Population	1.4 million
Total Employees	974
Service Area	All of Sacramento County, with services to Citrus Heights, Carmichael, Fair Oaks, Elk Grove, Folsom and Rancho Cordova
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	21,342
Weekday Rail Revenue Service Miles	14,962
Average Weekday Bus and Rail Riders	77,164
Number of Vehicles in Service	223 CNG Buses 97 Rail Vehicles 29 Shuttle Vans
Paratransit	113 Paratransit Vehicles
Park and Ride Lots	22
Bus and Light Rail Transfer Stations	32
Bus Stops	3,100+
Rail Stations	52

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 5316/5317 JARC/NF	Federal Highway Discretionary Funds	Section 5339	Section 5337	ARRA	Other
2008	$ 17,177,791	$ 4,562,242	$ 434,720	$ 4,410,000	$ 7,100,000	$ -	$ -	$ -	$ -
2009	17,981,339	4,797,633	451,440	6,930,000	1,363,000	-	-	16,240,000	-
2010	19,028,000	4,638,430	-	38,000,000	2,300,000	-	-	15,057,612	-
2011	17,880,540	5,582,436	-	-	-	-	-	-	-
2012	18,676,000	6,003,331	5,000,000	-	-	-	-	-	384,912
2013	19,907,689	-	-	40,000,000	3,229,327	524,211	8,872,128	-	93,287
2014	19,877,317	-	-	45,660,000	21,071,200	794,629	10,004,225	-	247,500
2015	19,679,867	-	-	-	-	1,093,451	10,011,827	-	29,029
2016	19,579,876	-	-	-	6,386,370	2,092,903	11,487,417	-	100,430
2017	20,806,330	-	-	-	350,000	1,971,320	11,580,302	-	36,347

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**
$ 10,125,000	$ 19,512,000	$ 48,105,515	$ 32,459,480	$ 8,541,278
-	1,558,699	35,372,181	33,056,759	4,908,090
-	7,979,439	79,836,086	24,698,724	5,151,088
10,128,000	3,650,232	29,075,732	27,382,646	5,304,891
-	25,984,490	31,045,187	34,671,997	9,596,963
-	36,576,736	32,368,073	30,043,310	10,019,397
-	2,718,257	33,972,533	34,608,256	9,520,611
-	10,702,271	36,131,514	36,098,557	8,869,049
-	8,867,914	36,914,890	36,950,479	7,049,491
-	3,706,018	39,131,573	38,731,878	7,156,739

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 1/2 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 1/2-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.

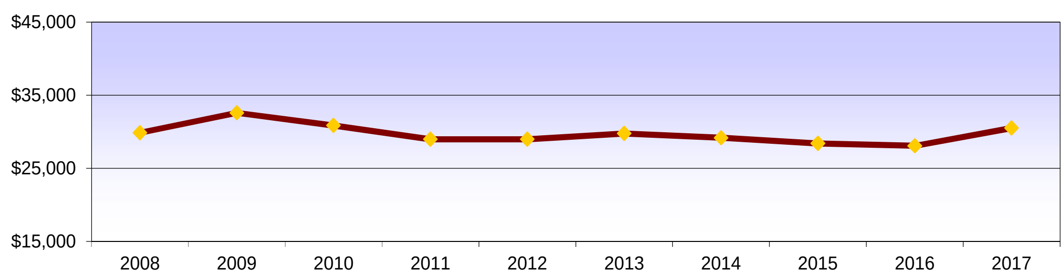
State Transit Assistance Funds: Funds generated by the sales tax on gasoline and diesel fuel sales. These funds are disbursed to transit agencies for a variety of transit capital and operating support needs.

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.

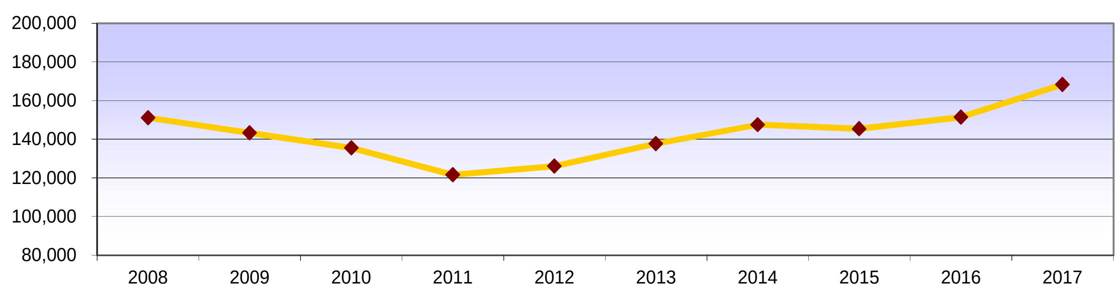
FARE RECOVERY
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fare Revenue	$29,866	$32,571	$30,864	$28,967	$28,964	$29,759	$29,156	$28,396	$28,056	$30,487
Local Fund Supplementation	8,659	3,963	3,663	2,030	3,171	5,370	8,441	8,661	6,765	8,227
Total Operating Expenses	151,079	143,271	135,400	121,557	126,019	137,759	147,443	145,323	151,394	168,324
Fare Recovery Ratio	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	23.0%	23.0%

FARE REVENUE



TOTAL OPERATING EXPENSES



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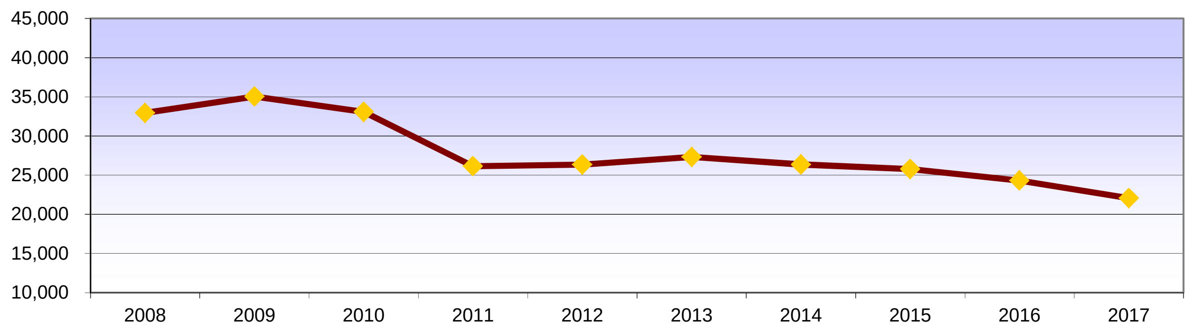
Source: Comprehensive Annual Financial Report

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

RIDERSHIP
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Ridership	32,951	35,050	33,060	26,161	26,338	27,298	26,368	25,768	24,330	22,050
% change	3.13%	6.37%	(5.68%)	(20.87%)	0.68%	3.64%	(3.41%)	(2.28%)	(5.58%)	(9.37%)

RIDERSHIP



Source: District Planning Department
NTD Statistics

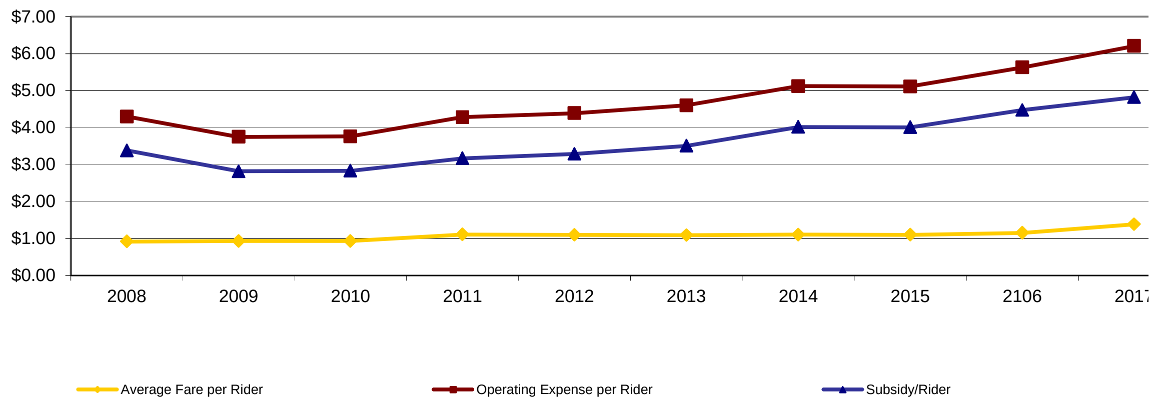
SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

OPERATING SUBSIDY
LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2106	2017
Average Fare per Rider	$0.92	$0.93	$0.93	$1.11	$1.10	$1.09	$1.11	$1.10	$1.15	$1.38
Operating Expense per Rider [1]	$4.30	$3.75	$3.76	$4.28	$4.39	$4.60	$5.12	$5.11	$5.63	$6.21
Subsidy/Rider	$3.38	$2.82	$2.83	$3.17	$3.29	$3.51	$4.02	$4.01	$4.47	$4.83

[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

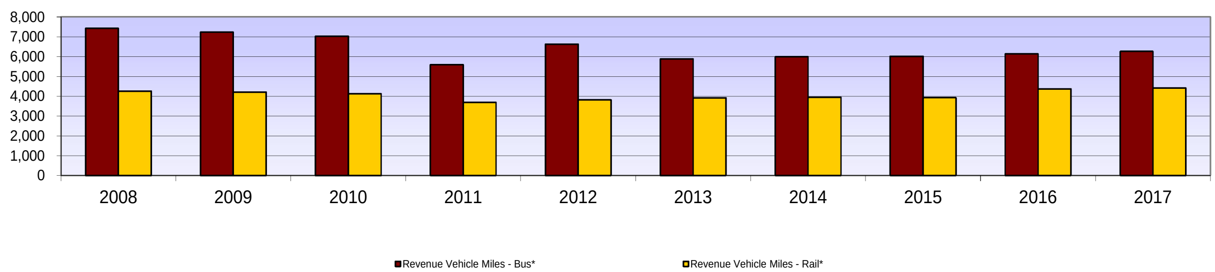
SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

SERVICE PROVIDED

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
BUS										
Revenue Vehicle Miles - Bus*	7,431	7,244	7,032	5,590	6,632	5,893	6,002	6,023	6,152	6,269
Revenue Vehicle Hours*	677.7	652.0	628.2	501.2	506.0	532.0	548.0	549.8	558.0	558.5
# Vehicles	271	271	233	229	229	232	232	232	223	223
RAIL										
Revenue Vehicle Miles - Rail*	4,267	4,213	4,120	3,697	3,823	3,921	3,947	3,936	4,370	4,422
Revenue Vehicle Hours*	216.7	213.1	208.6	191.1	203.3	217.2	218.6	218.1	245.2	248.9
Train Revenue Hours*	81.9	81.7	81.4	69.3	70.0	82.0	83.2	83.2	93.0	94.9
# of Vehicles	76	76	76	76	76	76	76	76	87	96

SERVICE PROVIDED



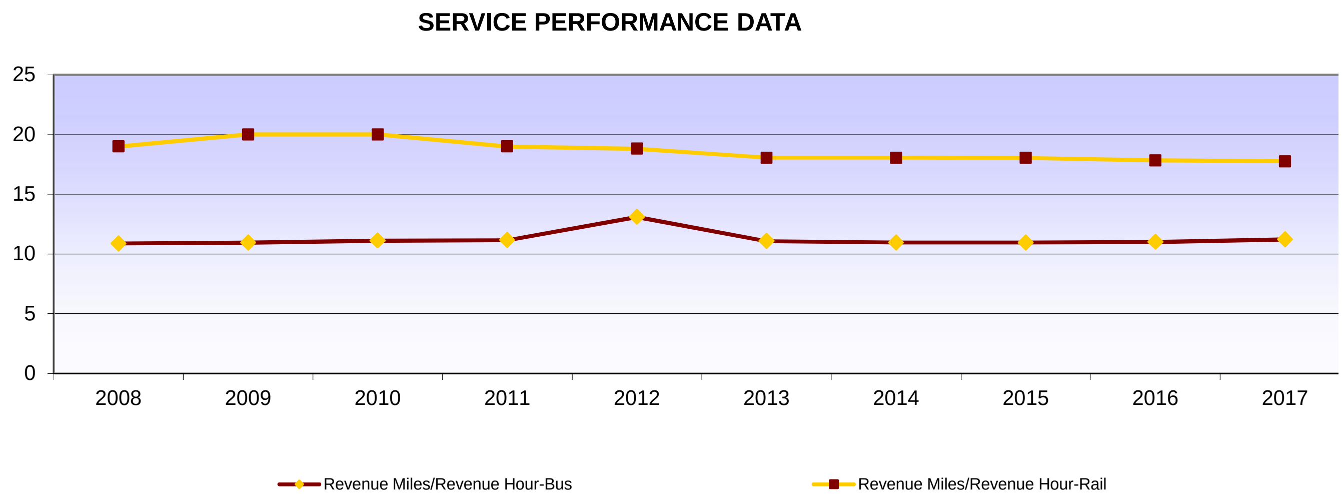
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
BUS										
Passengers*	17,466	17,735	17,579	13,617	13,146	13,784	13,658	13,706	12,114	10,608
Passenger Miles*	57,444	59,001	61,417	47,525	46,521	49,440	53,133	52,346	43,911	39,468
RAIL										
Passengers*	15,485	17,315	15,481	12,544	13,192	13,513	12,710	12,062	12,216	11,442
Passenger Miles*	85,807	93,087	83,409	72,860	74,706	75,797	74,580	68,717	69,171	68,760
TOTAL										
Passengers*	32,951	35,050	33,060	26,161	26,338	27,298	26,368	25,768	24,330	22,050
Passenger Miles*	143,251	152,088	144,826	120,385	121,227	125,237	127,713	121,063	113,082	108,228
FLEET										
Bus	271	271	233	229	229	232	232	232	223	223
Rail	76	76	76	76	76	76	76	76	87	96
TOTAL EMPLOYEES	1,125	1,087	907	901	901	940	933	937	982	974

Source: District Planning Department; NTD Statistics

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

SERVICE PERFORMANCE DATA (Continued)
LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue Miles/Revenue Hour-Bus	11	11	11	11	13	11	11	11	11	11
Revenue Miles/Revenue Hour-Rail	19	20	20	19	19	18	18	18	18	18



Source: District Planning Department; NTD Statistics

FARES
As of June 30, 2017

Single and Daily Pass Fares

Rider Type	Fare Type	Single Ride	Daily Pass
Age 19-61	Basic	$ 2.75	$ 7.00
Senior (62 & older)	Discount	$ 1.35	$ 3.50
Individuals with Disabilities	Discount	$ 1.35	$ 3.50
Medicare Cardholder	Discount	$ 1.35	$ 3.50
Student (grades K-12)	Discount	$ 1.35	$ 3.50

Golden 1 Center Event Fares

		Round Trip
Event Round-Trip Pass*	Per Person	$ 5.50
Discount Event Rount-Trip Pass*	Per Person	$ 2.70

* Purchse a round-trip fare prior to an event with a single transaction. Rider must have a valid Golden 1 Center event ticket. Can only be purchased at a Parkeon light rail station fare kiosk.

Pre-Paid Ticket Books

Fare Book Type	Fare Type	# of Tickets	Book Price
Single Fare	Basic	10	$ 27.50
Single Fare	Discount	10	$ 13.50
Daily Fare	Basic	10	$ 70.00
Daily Fare	Discount	10	$ 35.00

Monthly Passes and Stickers

Fare/Rider Type	Price
Basic Monthly Pass	$ 110.00
Basic Semi-Monthly Pass	$ 60.00
Senior/Disabled Monthly Sticker	$ 55.00
Senior/Disabled Semi-Monthly Sticker	$ 30.00
Super Senior Monthly Sticker (age 75+)	$ 42.00
Student Semi-Monthly Sticker	$ 27.50
Yolo Express Sticker*	$ 25.00

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

PERFORMANCE MEASURES

Performance Measures in Sacramento's Peer Transit Agencies

City, State	2010 Urban Area Population		2015 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)**	**$ 5.64**	**(3)**	**$ 12.82**	**(6)**	**$ 140.40**	**(6)**	**$ 4.53**	**(3)**	**19.6%**	**(5)**
Los Angeles, CA	12,150,996	(2)	2.91	(7)	13.70	(5)	145.67	(5)	2.12	(7)	27.2%	(3)
Oakland, CA	3,281,212	(13)	5.55	(4)	17.30	(3)	183.93	(3)	4.43	(4)	20.3%	(4)
San Carlos, CA	3,281,212	(13)	8.41	(1)	21.70	(2)	258.55	(1)	7.08	(1)	15.8%	(6)
San Diego, CA	2,956,746	(15)	3.35	(5)	9.56	(7)	113.41	(7)	2.36	(5)	29.7%	(1)
San Francisco, CA	3,281,212	(13)	3.06	(6)	24.65	(1)	195.14	(2)	2.19	(6)	28.4%	(2)
San Jose, CA	1,664,496	(29)	7.32	(2)	15.65	(4)	183.27	(4)	6.42	(2)	12.2%	(7)
Average for Bus Peers	**4,435,979**		**5.10**		**17.09**		**180.00**		**4.10**		**22.3%**	
RAIL PEERS												
Sacramento, CA	**1,723,634**	**(28)**	**4.72**	**(2)**	**14.46**	**(4)**	**260.88**	**(4)**	**3.62**	**(2)**	**23.4%**	**(2)**
Los Angeles, CA	12,150,996	(2)	4.23	(3)	19.39	(3)	390.69	(1)	3.47	(3)	18.0%	(4)
San Diego, CA	2,956,746	(15)	1.82	(5)	8.50	(5)	147.48	(5)	0.80	(5)	56.3%	(1)
San Francisco, CA	3,281,212	(13)	3.75	(4)	37.89	(1)	359.49	(3)	2.88	(4)	23.2%	(3)
San Jose, CA	1,664,496	(29)	7.17	(1)	23.11	(2)	366.66	(2)	6.28	(1)	12.4%	(5)
Average for Rail Peers	**5,013,363**		**2.42**		**22.22**		**316.08**		**3.36**		**27.5%**	

Source: National Transit Database, 2015 Transit Profiles - All Agencies

In 2015 the Sacramento urban area, ranked 28th in the US based on population. Table 1 compares the District's 2015 performance to 6 other bus peer transit properties and 4 other rail peer transit properties. This table indicates the following:

<u>Bus</u>
The District ranks 3rd in Cost per Passenger and Subsidy per Passenger among its Bus peer transit agencies.
The District ranks 5th in Farebox Recovery Ratio among its Bus peer transit agencies.
The District ranks 6th in Cost per Revenue Mile and Cost per Revenue Hour among its Bus peer transit agencies.

<u>Rail</u>
The District ranks 2nd in Cost per Passenger, Subsidy per Passenger and Farebox Recovery Ratio among its Bus peer transit agencies.
The District ranks 4th in Cost per Revenue Mile and Cost per Revenue Hour 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, 2017

SACRAMENTO REGIONAL TRANSIT DISTRICT
Sacramento, California

Year ended June 30, 2017

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, 2017, 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 21, 2017.

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.

(Continued)

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*.

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 21, 2017

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, 2017. 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, 2017.

(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, 2017, and the related notes to the financial statements, which collectively comprise The District's basic financial statements. We issued our report thereon dated November 21, 2017, 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 21, 2017

SACRAMENTO REGIONAL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

Federal Grantor/ Program or Cluster Title	CFDA Number	Grant Pass-Through Number	Federal Expenditures	Passed Through to Subrecipients
Department of Transportation				
Federal Transit Administration				
Federal Transit Cluster:				
Direct Programs:				
Federal Transit – Capital Investment Grants	20.500	n/a	3,342,455	407,971
State of Good Repair Grants Program	20.525	n/a	11,580,302	-
Bus and Bus Facilities Formula Program	20.526	n/a	2,400	2,400
Federal Transit – Formula Grants	20.507	n/a	26,387,446	664,989
Passed through Sacramento Area Council of Governments				
Federal Transit – Formula Grants	20.507	Not provided	2,642,538	-
Subtotal CFDA 20.507			29,029,984	664,989
Total Federal Transit Cluster			43,955,141	1,075,360
Transit Services Programs Cluster:				
Passed through Sacramento Area Council of Governments:				
New Freedom Program	20.521	Not provided	600,418	-
Total Department of Transportation			44,555,559	1,075,360
Department of Homeland Security				
Direct Programs:				
Rail and Transit Security Grant Program	97.075	EMW-2014-RA-00009	68,161	-
Total Expenditures of Federal Awards			$ 44,623,720	$ 1,075,360

See accompanying Notes to 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, 2017. 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 I - 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:	$ 1,338,712	
Auditee qualified as low-risk auditee?	X Yes	_____ No

SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

None

There were no audit findings or questioned costs reported in the prior year for Sacramento Regional Transit District.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE 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 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, the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Guidelines, and the Low Carbon Transit Operations Program (LCTOP) Final Guidelines published by the State of California Department of Transportation 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 (collectively "Transportation Development Act") that could have a direct and material effect on the District's compliance with the Transportation Development Act for the year ended June 30, 2017.

Management's Responsibility

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

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, 2017.

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 the Transportation Development Act program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Transportation Development Act program and to test and report on internal control over compliance in accordance with the Transportation Development Act, 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 the Transportation Development Act 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 the Transportation Development Act 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 the Transportation Development Act 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 Transportation Development Act. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 21, 2017

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Independent Member Crowe Horwath International

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Sacramento Regional Transit District
Sacramento, California

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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 Company 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 Company's financial statements are free of material misstatement, we performed tests of the Company'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 regarding the planned scope and timing of the audit were discussed with you.

- How we proposed to address 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 will use the work of internal audit, and how the external and internal auditors can best work together.

- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
    - o The allocation of responsibilities between you and management.
    - o The entity's objectives and strategies, and the related business risks that may result in material misstatements.
    - o Significant communications with regulators.
    - o 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: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance 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 Those Charged with Governance about such matters. To assist Those Charged with Governance in its oversight role, we also provide the following.

Accounting Standard	Impact of Adoption
GASB Statement No. 82, Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement addresses certain issues that have been raised with respect to Statement No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.	Adoption of this Statement did not have a material impact on the Company'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 Company'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
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	We tested the propriety of information underlying management's estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
	values of its financial assets and financial liabilities.	
Useful Lives of Capital Assets	Management has determined the economic useful lives of capital 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 Company.	We tested the propriety of information underlying management's estimates.
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 Company'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

Corrected Misstatements: 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

Uncorrected Misstatements: 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.	There were no significant difficulties encountered in dealing with management related to the performance of the audit.
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 Company'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 it, and provide our views on the significant matters that were the subject of such consultation.	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 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 Company'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	There were no such other findings or issues that are, in our judgment, significant and relevant to

Communication Item	Results
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.	you regarding your oversight of the financial reporting process.

We are pleased to serve your Company 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 Boards 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

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Sacramento, California
November 21, 2017

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In planning and performing our audit of the financial statements of the Sacramento Regional Transit District (the District) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the Company'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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 District'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

Crowe Horwath LLP

Sacramento, California
November 21, 2017

RESOLUTION NO. 17-12-_____

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

December 11, 2017

DESIGNATE $2,159,095 AS SACRT'S OPERATING RESERVE FOR THE FISCAL YEAR ENDED JUNE 30, 2017.

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

WHEREAS, the Reserve Policy requires SacRT to 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 SacRT must maintain at least a minimum operating reserve of 8%, or 30 days of operating expense (less the current year Self-Insurance expense); and

WHEREAS, SacRT concluded FY2017 with an operating increase in net position of $2,195,095.

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 $2,195,095 of operating funds and to build RT's Operating Reserve for FY2017.

____
ANDREW J. MORIN, Chair

A T T E S T:

HENRY LI, Secretary

By: ______________________________
Cindy Brooks, Assistant Secretary