Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
13	12/10/18	Open	Action	12/03/18

Subject: Receive and File the Comprehensive Annual Financial Report and Designate the Reserve for Fiscal Year June 30, 2018

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, 2018, and designate $5,172,007 of the $9,172,007 Operating Surplus to SacRT's operating reserve and place $4,000,000 into working capital.

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, 2018; and

B. Adopt Resolution No. 18-12-_____, Designate $5,172,007 of the $9,172,007 Operating Surplus to SacRT's Operating Reserve and $4,000,000 as Working Capital, for the Fiscal Year Ended June 30, 2018.

FISCAL IMPACT

These actions will result in a net increase of $5,172,007 to the July 1, 2018 beginning operating reserve balance of $5,345,891. Upon approval, the final June 30, 2018 operating reserve balance will be $10,517,898 and the working capital balance will be $4,000,000.

DISCUSSION

Each fiscal year, SacRT prepares a CAFR and reports on compliance and internal control as required by the Federal Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly known as "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, 2018. Moreover, no material weaknesses involving SacRT's financial reporting or internal control processes were identified. However, there were deficiencies in internal controls that were considered to be significant; the significant deficiencies were related to the Single Audit of Federal awards. The first finding was regarding the preparation of the Schedule of Expenditures of Federal Awards (SEFA). There were

Approved:	Presented:
Final 12/5/18	
General Manager/CEO	VP, Finance/Chief Financial Officer

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
13	12/10/18	Open	Action	12/03/18

Subject:	Receive and File the Comprehensive Annual Financial Report and Designate the Reserve for Fiscal Year June 30, 2018

two grants that had incorrect catalog of federal domestic award (CFDA) numbers, which also meant that the grants were not properly classified on the SEFA. The CFDA numbers and SEFA classifications were corrected and management has developed a more thorough review process to ensure no future errors in reporting. The second finding was related to subrecipient monitoring. Per the Federal Procurement, Suspension, and Debarment regulations, prior to entering into a subrecipient agreement, SacRT is required to check the excluded parties' list system (EPLS), collect a certification from that entity, or include a clause or condition to the covered transaction with the subrecipient. SacRT identified this deficiency prior to the audit during the Federal Transit Administration (FTA) triennial review; however, due to the fact that it was identified subsequent to fiscal year end, the finding is required to be reported. Management has developed an action plan and has remedied the finding.

<u>Financial Results Summary</u>

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 decreased by $27.5 million as of June 30, 2018.

The decrease in net position is primarily the result of a net decrease in SacRT's Capital Program and an operating gain of approximately $9.2 million. 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 FY2018 operational results, Attachment #1 and page 10 of the CAFR shows SacRT's operating and capital funds separately. As of June 30, 2018, SacRT's operating results were as follows: $27.3 million in fare revenues, $159.4 million in operating expenses, and $141.3 million in non-operating revenues (expenses).

Summary of Budget to Actual Variances

Budget to actual highlights include an unfavorable variance in fare revenues of $1.1 million, a net favorable variance in operating expenses of approximately $1.5 million and a net favorable variance in non-operating revenues of approximately $8.8 million (see Attachment 2).

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Explanation for Budget to Actual Variances

Operating Revenues

SacRT's FY2018 fare revenue totaled $27.3 million. The net unfavorable operating revenues variance of $1.1 million was due to lower than expected ridership and customers migrating to electronic fares resulting in less upfront revenue.

Operating Expenses

Operating expenses totaled $159.4 million, a favorable variance of $1.5 million from the adopted budget of $160.9 million. Salaries and fringe benefits were under budget by $1.2 million as a result of lower than expected medical cost increases and the budgeted cost of fringe benefits on vacant positions, which were partially mitigated by the cost of temporary labor and overtime. Professional and Other Service were under budget by $1.0 million due to an overall reduction in anticipated need for outside services. Other Expenses were under budget by $1.2 million due to a conservative budget for Connect Card Fees during the inaugural year of operation and unused contingency budget. Casualty and Liability Costs were over budget by $1.5 million due to the impact of adverse escalation on a few large dollar casualty claims that were partially mitigated by improved experience in the workers' compensation.

Non-Operating Revenues (Expenses)

The net favorable non-operating revenue (expense) variance of $8.8 million is primarily attributed to the following: a $2.2 million increase in state and local operating assistance due to higher than expected taxable sales and a favorable regional allocation of diesel tax collected; a $4.6 million increase in federal operating assistance due to increased federal preventative maintenance funding resulting from a favorable formula revision at the local level; and $1.3 million increase in carbon credit sales due to higher market prices.

Operating Results

SacRT concluded FY2018 with an operating surplus of $9.2 million, of which $5.2 million will be designated to the Operating Reserve. After accounting for the $5.3 million operating reserve at the end of FY2017, SacRT ends the year with an available operating reserve balance of $10.5 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.

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Subject:	Receive and File the Comprehensive Annual Financial Report and Designate the Reserve for Fiscal Year June 30, 2018

Reserve Type	Policy Target	Policy Target Amount	Actual Reserve Balance	Reserve Shortfall
Operating	12.3% of annual operating budget	$20.3 million*	$10.5 million**	$9.8 million
Self-Insurance	Total liability less current year expense	$11.4 million	$3.1 million	$8.3 million
Capital	Annual contribution for depreciating assets	N/A	-	-
Grant/Project Specific	10% of South Line Phase II project cost	$27.0 million	-	$27.0 million

*Based on FY18 operating budget **Includes FY18 increase in net position

In the past three fiscal years, SacRT has made a significant financial turn-around by increasing the operating reserve balance to $10.5 million as of June 30, 2018 from a low of $3.1 million as of June 30, 2015. The increase in operating reserves is vital for financial health, cash liquidity, and credit rating reviews of SacRT. The operating reserve target presented above is the minimum requirement per the comprehensive reserve policy; however, SacRT currently has a $27 million Line of Credit (LOC) to supplement operating cash flows. Maintaining a large reserve without reducing the LOC is not fiscally prudent. The goal for the operating reserve is to eliminate the need for the LOC by building sufficient unrestricted cash balance while continuing to build operating reserves. The use of $4 million of the FY2018 operating surplus as working capital will help reduce SacRT's reliance on the LOC. Due to the FY18 positive operating results; SacRT lowered the LOC by $2 million for FY2019. SacRT has had a $29 million LOC since October 2013. SacRT management continues to budget with the goal of building operating and capital reserves to improve the efficiency and effectiveness of SacRT's operations and to meet the requirements of the Comprehensive Reserve Policy.

Staff Recommendation

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

- Fiscal Year 2018 Statement of Revenue and Expense per Funding Designations – Attachment 1
- Fiscal Year 2018 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

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
13	12/10/18	Open	Action	12/03/18

Subject:	Receive and File the Comprehensive Annual Financial Report and Designate the Reserve for Fiscal Year June 30, 2018

Staff recommends that the Board receive and file the comprehensive annual financial reports as listed and designate **$5,172,007** of the $9,172,007 operating surplus to SacRT's Operating Reserve and **$4,000,000** into Working Capital, for the Fiscal Year ended June 30, 2018.

Fiscal Year 2018
Statement of Revenues and Expenses
Per Funding Designation

	FY 2018 Funding Designation			
Statement of Revenues and Expenses	Operations	GASB	Capital Improvement Program	Total
OPERATING REVENUES (Fares)	**$ 27,276,231**	**$ -**	**$ -**	**$ 27,276,231**
OPERATING EXPENSES				
Labor and Fringe Benefits	109,022,371	1,522,511	-	110,544,882
Professional and Other Services	22,923,065	-	4,195,641	27,118,706
Spare Parts and Supplies	9,308,799	-	1,532,606	10,841,405
Utilities	6,994,536	-	-	6,994,536
Casualty and Liability Costs	9,299,744	-	-	9,299,744
Depreciation and Amortization	-	-	43,125,921	43,125,921
Indirect Costs Allocated to Capital Programs	(459,336)	-	-	(459,336)
Other	2,355,417	-	-	2,355,417
Total Operating Expenses	**$ 159,444,596**	**$ 1,522,511**	**$ 48,854,168**	**$ 209,821,275**
Loss from Operations	**(132,168,365)**	**(1,522,511)**	**(48,854,168)**	**(182,545,044)**
NON-OPERATING REVENUES (EXPENSES)				
Operating Assistance				
State and Local	93,339,133	-	-	93,339,133
Federal	37,059,773	-	4,686,108	41,745,881
Investment Income	2,155,089	-	67,893	2,222,982
Interest Expense	(2,575,090)	-	(131,667)	(2,706,757)
Pass Through to Subrecipients	-	-	(4,644,848)	(4,644,848)
Professional and Other Services Funded by Others	-	-	(7,324,632)	(7,324,632)
Contract Services	6,420,062	-	-	6,420,062
Other	4,941,405	-	39,562	4,980,967
Total Non-operating Revenues (Expense)	**$ 141,340,372**	**$ -**	**$ (7,307,584)**	**$ 134,032,788**
Increase (Decrease) in Net Position Before Capital Contributions	**9,172,007**	**(1,522,511)**	**(56,161,752)**	**(48,512,256)**
Capital Contributions				
State and Local	-	-	16,803,544	16,803,544
Federal	-	-	4,132,518	4,132,518
Increase (Decrease) in Net Position	**$ 9,172,007**	**$ (1,522,511)**	**$ (35,225,690)**	**$ (27,576,194)**

Reserve

Operating Reserve Balance June 30, 2017	$ 5,345,891
FY2018 Designation to Operating Reserve	5,172,007
Operating Reserve Balance June 30, 2018	**$ 10,517,898**
Working Capital Balance June 30, 2017	$ -
FY2018 Designation Working Capital	4,000,000
Working Capital Balance June 30, 2018	**$ 4,000,000**

Attachment 2

Fiscal Year 2018
Statement of Revenues and Expenses
Operating Budget to Actual Expenses

Statement of Revenues and Expenses	FY 2018 Budget to Actual Expenses: Approved Budget	Adjusted Operating Results	Variance (Unfavorable)/ Favorable	Percent Variance
OPERATING REVENUES				
Fares	**$ 28,357,147**	**$ 27,276,231**	**$ (1,080,916)**	**-3.8%**
OPERATING EXPENSES				
Labor and Fringe Benefits	110,241,738	109,022,371	1,219,367	1.1%
Professional and Other Services	23,962,614	22,923,065	1,039,549	4.3%
Spare Parts and Supplies	8,876,725	9,308,799	(432,074)	-4.9%
Utilities	6,761,700	6,994,536	(232,836)	-3.4%
Casualty and Liability Costs	7,840,601	9,299,744	(1,459,143)	-18.6%
Depreciation and Amortization	-	-	-	
Indirect Costs Allocated to Capital Programs	(372,438)	(459,336)	86,898	-23.3%
Other	3,601,898	2,355,417	1,246,481	34.6%
Total Operating Expenses	**$ 160,912,838**	**$ 159,444,596**	**$ 1,468,242**	**0.9%**
(Loss) Income from Operations	**(132,555,691)**	**(132,168,365)**	**387,326**	**-0.3%**
NON-OPERATING REVENUES (EXPENSES)				
Operating Assistance				
State and Local	91,130,065	93,339,133	2,209,068	2.4%
Federal	32,463,315	37,059,773	4,596,458	14.2%
Investment Income	2,190,214	2,155,089	(35,125)	-1.6%
Interest Expense	(2,505,214)	(2,575,090)	(69,876)	2.8%
Contracted Services	5,799,311	6,420,062	620,751	10.7%
Advertising	1,135,000	1,221,271	86,271	7.6%
Commercial Income/Other	2,343,000	3,720,134	1,377,134	58.8%
Total Non-operating Revenues (Exp)	**$ 132,555,691**	**$ 141,340,372**	**$ 8,784,681**	**6.6%**
Increase in Net Position	**$ -**	**$ 9,172,007**	**$ -**	**-**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Sacramento Regional Transit District for the Fiscal Year Ended
June 30, 2018

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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

November 16, 2018

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, 2018.

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 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, 2018, 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, 2018, 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 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 21 million passengers in fiscal year ended June 30, 2018. 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 service in the capitol city of the fifth largest economy in the world. The Sacramento 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 2018 was 4.2 percent down from 5.3 percent in 2017. The Sacramento region is expected to see the unemployment rate stay to the low 4 percent range in the next two years.

Residential construction continued its upward trend in 2018 with 9,600 single family homes being built, which is a 18 percent increase over 2016 levels. Forecasts for the region show three to four more years of solid economic and housing growth ahead as home buyers seek more affordable homes outside of the Bay area.

A significant portion of the District's operating funds are derived from sales tax revenues. In 2018, taxable sales in the Sacramento region rose resulting in an increase of 5.8 percent in the Local Transportation Fund and a 5.5 percent in Measure A Revenue. It is estimated that taxable sales in 2019 will increase approximately 4.0 percent resulting in a similar increase in the Local Transportation Fund and Measure A Revenue.

The Sacramento region real estate market remains strong in 2018, 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, 2018, continued the District's historic journey to excellence. During the fiscal year, significant progress was made to explore innovative transportation models, restore fiscal stability, attract new riders and heighten our commitment to providing clean, safe and convenient mobility solutions for people who live, work and play in the Sacramento region. By implementing a strategic vision and associated action plan, many of these accomplishments were achieved with limited funding, doing more and better with less while making District's customers happy and satisfied.

Creating this bold vision, which was used as a catalyst, the District's team will continue to align staff to common goals, increase collaboration, work with our many vital community partners and key stakeholders to continue its steadfast commitment to providing a world-class public transit system that the region deserves. Providing transportation excellence through enhanced customer service and innovation will continue to be the District's number one mission now and into the future.

Strategic Planning & Development: The District envisions a more expansive, convenient and frequent public transit network. Identify innovative service enhancements, infrastructure, capital improvements projects that will attract more riders to the system.

Financial Stability, Accountability and Business Process Optimization: The District is dedicated to strengthening our financial footing by tapping innovative revenue sources and conducting relentless organizational optimization to fund our current level of service, state of good repair initiatives, maintenance and capital investments, and build reserves. The District will continue to identify and implement cost-cutting measures to maximize efficiencies and minimize duplication, consistent with operating like a true business. The District will continue to seek operating revenues through more local, state and federal funding, as well as pursue capital grant opportunities.

Strategic Vision, Innovations and Best Practices: Develop and implement industry best practices by re-imagining a more innovative service network and leveraging new technologies to improve the customer experience by making it easier to ride transit, receive information, and pay fare.

System Security: Prioritize security efforts by implementing industry best practices and response to customer concerns over safety and security.

Operational and Occupational Safety: Focus on employee and customer safety through better training, data collection, use of technology, and public education. The District will maintain strong relationships with regulatory agencies and seek guidance whenever necessary.

Strategic Communications and Partnerships: Ensuring that District customers can intuitively navigate the bus and light rail system is critical to attracting new customers and building ridership. To ensure this, the District will continue to promote programs and incentive options that will encourage more people to try transit, and educate the public about the benefits of transit and how local funding is important to create a “world class” public transit system.

Organizational Excellence and Performance Management: Make positive transformations that include building a strong workforce, negotiating fair and equitable labor and non-labor agreements, implementing cost-saving alternatives and progressing efforts to make a significant change in organizational culture.

Major Initiatives Moving Forward in FY19

Route Optimization Study: The District will continue with the SacRT Forward route optimization study, develop network options, seek public and stakeholder input, submit alternatives for Board consideration, and design a final network plan for Board review and adoption, including expanded network options when additional local funding is available. 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. Implementation will begin in summer 2019.

Annexation: The District progressed regionalism and annexation that will consolidate all transit agencies in the region to provide seamless connectivity. The City of Folsom annexed their bus service to the District on November 13, 2018, and the City of Citrus Heights is anticipated to join during FY19 making the region more competitive for state and federal funding opportunities.

Real Estate: The District progressed TOD investments that have been 30 years in the making. The District signed a purchase sale agreement for properties located at the University/65th Street light rail station: Should generate $1.9 million, 880-936 Arden Way, which generated close to $900,000, and 2200 Cemo Circle which should generate $1.6 to $1.8 million. The District is in negotiations to bring the market TOD properties located at Calvine Road/Auberry Drive which should generate a little over $1.5 million. As the District continues to market underutilized properties, it is expected that when all the properties are built out they will include student, low income and market rate housing units with retail establishments that are walkable mixed-use communities centered around public transit, which will attract new riders. These properties are at different stages in the process.

Additionally, the District is working with ULI (Urban Land Institute) to market underutilized light rail station and parking properties to developers. The collaboration with ULI and developers bypasses the traditional approach of working with brokers and advances the creative process to market and develop some of the District's properties.

SmaRT Ride: Expand SmaRT Ride the District's on-demand microtransit service, with new routes in communities across Sacramento County. The Sacramento Transportation Authority awarded $12 million in grant funding to expand SmaRT Ride service with new routes to operate in communities across Sacramento County. The next phase is to launch in Downtown, Midtown and East Sacramento.

State-of-Good-Repair: The Districts 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. The District has been very successful in terms of applying for the capital funding grants for our state-of-good repair projects. In early this year, The District was awarded $85 million in state SB-1 funds to modernize our light rail system.

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

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. The District embraces technology and are reinventing our business model to reflect this commitment. Procure permanent microtransit software and scheduling vendor to expand SmaRT Ride on-demand microtransit service. Complete the installation of the Computer Aided Dispatch/Automatic Vehicle Location (CAD/AVL) system and associated reports to improve service operations and reliability.

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 mobile applications: ZipPass 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 and Alert SacRT, which provides customers an anonymous way to report safety concerns or nuisance behavior. Both apps have seen successful results and increased interest.

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 include faster payment options as well as improve reliability and save costs associated with necessary repairs to maintain their operation.

Downtown/Riverfront Streetcar

The District is collaborating with the City of Sacramento 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.

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 estimated $208 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.

Gold Line Double Tracking
The District's double tracking project will occur between Sunrise Station and the Historic Folsom Station. The single tracking that is currently in place restricts light rail trains to 30 minute service frequencies, but double tracking will allow for 15 minute service as well as ease congestion around the Gold Line in Folsom. The funded project is scheduled to be complete by summer 2021.

Light Rail Vehicle Procurement
Efforts to modernize the rail fleet will reduce the District's maintenance and repair costs associated with keeping aging light rail cars in service past their 30-year useful life. It's anticipated that 20 new low-floor vehicles will be in service by spring 2021, due manufacturing lead time.

Electric Vehicles
The District secured funding to purchase 21 electric buses. One of the major projects is working with Yolo County and Electrify America for the Green Cities initiative. They will provide funding to purchase 15 electric buses. Out of the 15, 12 are big buses for express bus shuttle between UC Davis and downtown UC Medical Center within one to two years.

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 Section 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 87.

The District maintains three retirement plan Pension Trust funds for the District's union employees, which accounts for the retirement fund of the members of the 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, 2017. 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 18th 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.

Henry Li
General Manager/CEO

Brent Bernegger
VP, Finance/CFO

SACRAMENTO REGIONAL TRANSIT DISTRICT
CERTIFICATE OF ACHIEVEMENT
FISCAL YEAR ENDED JUNE 30, 2017

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, 2017

Christopher P. Morrill

Executive Director/CEO

SACRAMENTO REGIONAL TRANSIT DISTRICT
LIST OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2018

Board of Directors

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

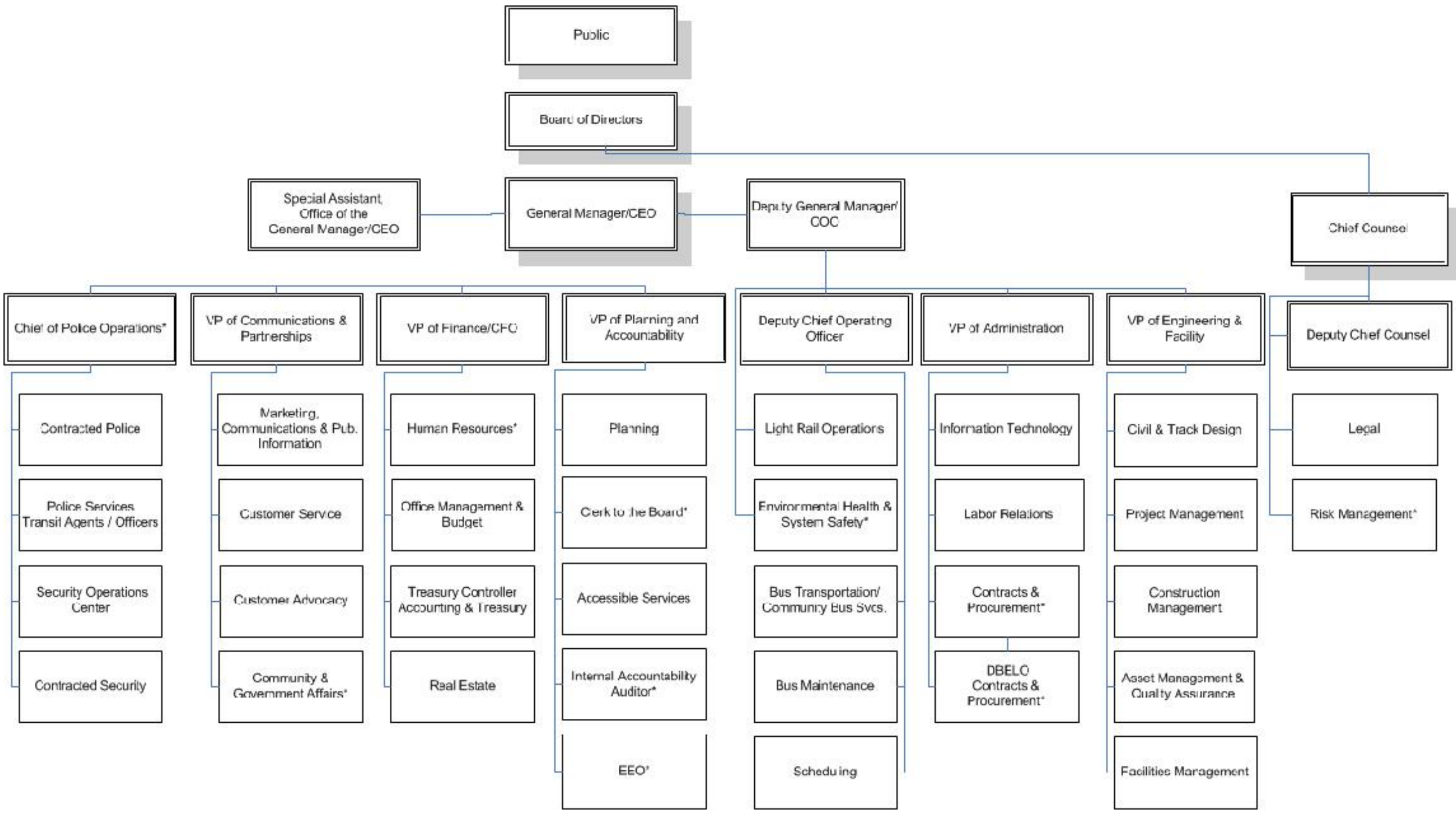
Chief Counsel

Tim Spangler

Executive Management Team

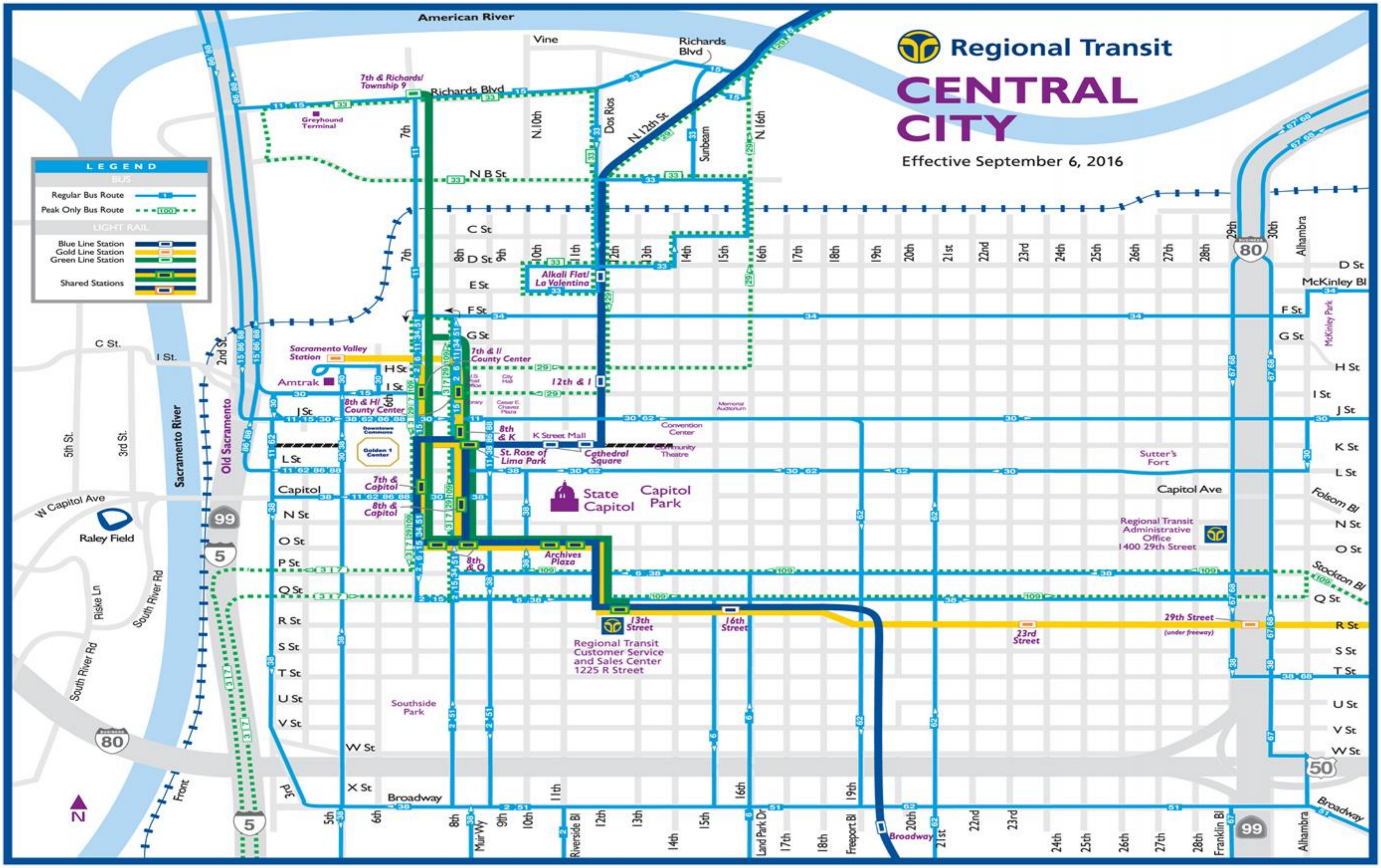
Mark Lonergan, Deputy General Manager/Chief Operating Officer
Brent Bernegger, Vice President, Finance/Chief Financial Officer
Suzanne Chan, Vice President, Administration
Laura Ham, Vice President, Planning and Accountability
Lisa Hinz, Vice President, Security Operations and Police Services
Neil Nance, 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, 2018

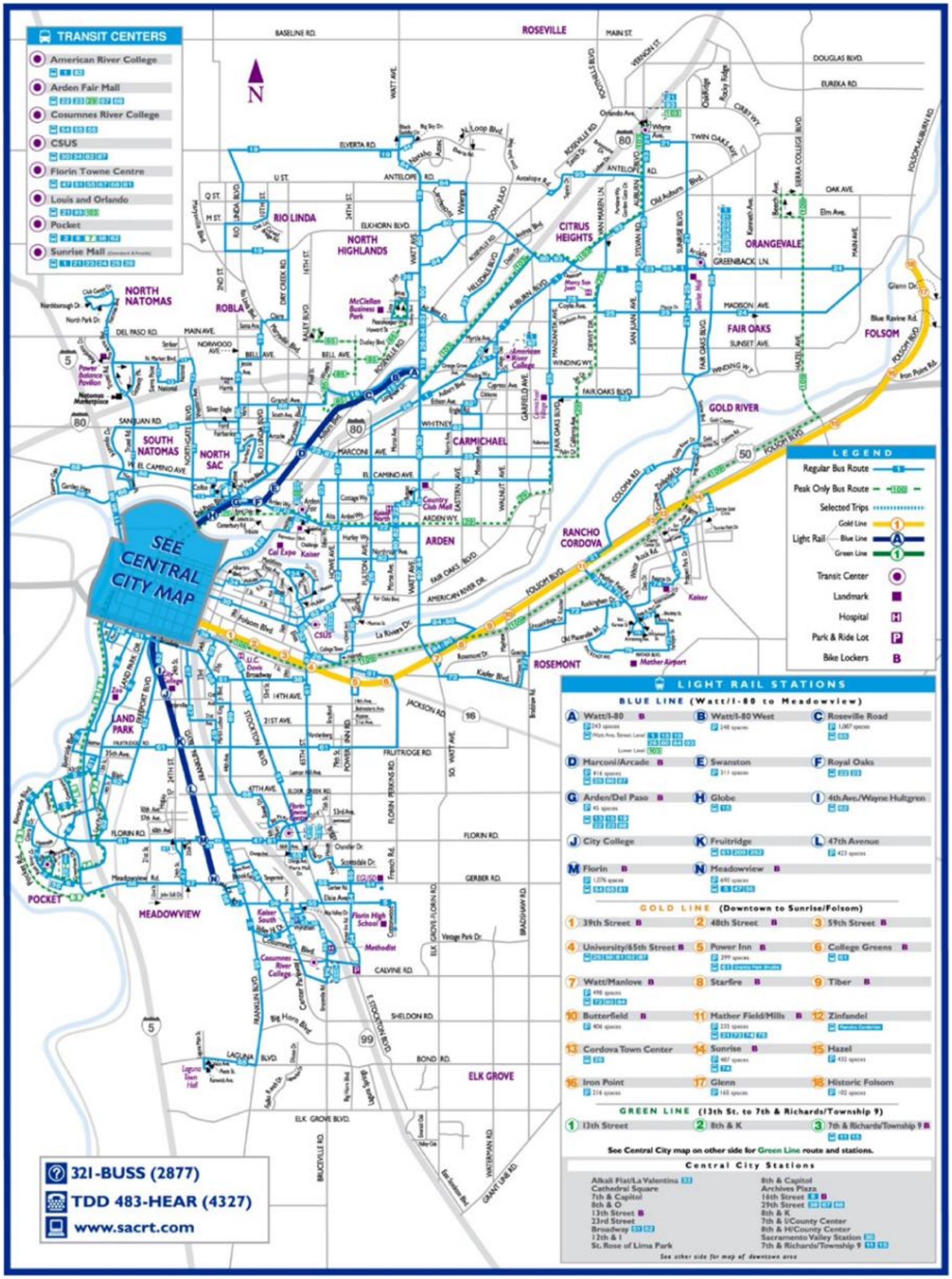


* Direct Access to the General Manager/CEO

SACRAMENTO REGIONAL TRANSIT DISTRICT
SERVICE AREA MAP



SACRAMENTO REGIONAL TRANSIT DISTRICT
SERVICE AREA MAP



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, 2018. 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, 2018 by $794,522,093 (net position). Of this amount $852,174,010 is net investment in capital assets, $3,483,942 is restricted for debt service, and $(61,135,859) is unrestricted. The District's negative unrestricted net position is attributed to recording its net pension liability and net Other Post-Employment Benefits (OPEB) liability per GASB Statements No. 68. and No. 75, respectively.

- The District's total net position decreased for the year ended June 30, 2018 by 3.3 percent, or $27,576,194 compared to the year ended June 30, 2017. This decrease is primarily the depreciation on District assets, which was mitigated by the District's operating surplus.

- The District's total liabilities and deferred inflows of resources increased by $10,018,545 for the fiscal year ended June 30, 2018. The net increase is attributed to the implementation of GASB No. 75, which include the recording of a net OPEB liability and deferred OPEB inflows. This increase was partially mitigated by a decrease in the net pension liability resulting from performance and changes in actuarial assumptions.

- During the fiscal year ended June 30, 2018, fare revenue decreased by $3,210,867 or 10.5 percent from the fiscal year ended June 30, 2017. This is attributed to decreased ridership in fiscal year 2018. Non-operating revenue increased by $13,450,047 or 9.9 percent in fiscal year 2018 due to increases in Local Transportation and Measure A funds generated by sales tax, new SB1 funds generated by state fuel tax and registration fees and increased federal preventative maintenance funding due to a favorable formula revision at the local level.

- Total operating costs decreased by $2,462,000 or 1.2 percent for the fiscal year ended June 30, 2018. The decrease is due to a decrease in OPEB costs/expense resulting from changes in actuarial assumptions, a decline in Paratransit costs due to quality and productivity enhancements and the reduction of security services as the District brought the majority of its contracted security guard services in house. This decrease was partially mitigated by a rise in labor costs resulting from contractual rate escalation.

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, 2018. 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 $794,522,093.

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 decrease in net position is primarily the result depreciation on District assets.

The District's negative unrestricted net position is attributed to recording its net pension liability and net OPEB liability per GASB Statement's No. 68 and No. 75, respectively.

SACRAMENTO REGIONAL TRANSIT DISTRICT
NET POSITION

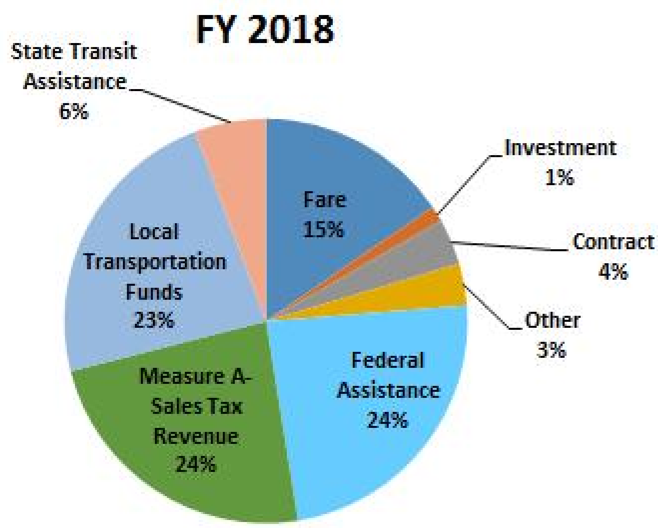
	June 30, 2018	June 30, 2017	Increase or (Decrease) Dollar	Percent
Current and Other Assets	$ 170,912,199	$ 164,789,208	$ 6,122,991	3.7%
Capital Assets	910,099,446	945,167,876	(35,068,430)	(3.7)%
Total Assets	1,081,011,645	1,109,957,084	(28,945,439)	(2.6)%
Deferred Outflows of Resources	43,194,196	51,042,787	(7,848,591)	(15.4)%
Current Liabilities	48,131,102	52,130,688	(3,999,586)	(7.7)%
Non-Current Liabilities	266,842,492	255,950,167	10,892,325	4.3%
Total Liabilities	314,973,594	308,080,855	6,892,739	2.2%
Deferred Inflows of Resources	14,710,154	11,584,348	3,125,806	27.0%
Net Position				
Net Investment in Capital Assets	852,174,010	889,346,531	(37,172,521)	(4.2)%
Restricted for:				
Debt Service	3,483,942	-	3,483,942	N/A
Unrestricted	(61,135,859)	(48,011,863)	(13,123,996)	27.3%
Total Net Position	$ 794,522,093	$ 841,334,668	$ (46,812,575)	(5.6)%

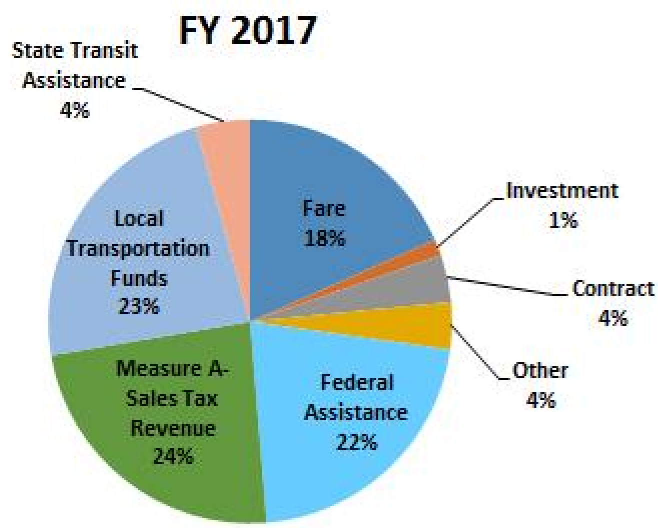
SACRAMENTO REGIONAL TRANSIT DISTRICT
REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	June 30, 2018	June 30, 2017	Increase or (Decrease) Dollar	Percent
Operating Revenue				
Fares	$ 27,276,231	$ 30,487,098	$ (3,210,867)	(10.5)%
Non-Operating Revenues				
Operating Assistance	135,085,014	122,521,959	12,563,055	10.3%
Investment Income	2,222,982	2,123,892	99,090	4.7%
Other Revenue	11,401,029	10,613,127	787,902	7.4%
Total Operating and Non-Operating Revenue	175,985,256	165,746,076	10,239,180	6.2%
Operating and Non-Operating Expenses				
Labor& Fringe Benefits	110,544,882	108,885,681	1,659,201	1.5%
Professional & Other Services	27,118,706	30,342,143	(3,223,437)	(10.6)%
Spare Parts & Supplies	10,841,405	11,996,385	(1,154,980)	(9.6)%
Utilities	6,994,536	6,619,184	375,352	5.7%
Casualty & Liability Costs	9,299,744	9,316,895	(17,151)	(0.2)%
Depreciation	43,125,921	43,959,095	(833,174)	(1.9)%
Other	2,355,417	1,702,226	653,191	38.4%
Indirect Costs Allocated to Capital Programs	(459,336)	(538,334)	78,998	(14.7)%
Interest Expense	2,706,757	2,352,489	354,268	15.1%
Pass through to Subrecipients	4,644,848	1,075,360	3,569,488	331.9%
Professional and Other Services Funded By Others	7,324,632	6,161,752	1,162,880	18.9%
Total Operating and Non-Operating Expenses	224,497,512	221,872,876	2,624,636	1.2%
Loss Before Capital Contributions	(48,512,256)	(56,126,800)	7,614,544	(13.6)%
Capital Contributions				
State and Local	16,803,544	58,243,209	(41,439,665)	(71.1)%
Federal	4,132,518	9,013,013	(4,880,495)	(54.1)%
Total Capital Contributions	20,936,062	67,256,222	(46,320,160)	(68.9)%
(Decrease) Increase in Net Position	(27,576,194)	11,129,422	(38,705,616)	(347.8)%
Net Position, beginning of year	841,334,668	830,205,246	11,129,422	1.3%
Cumulative effect of GASB Statement no.75 Implementation	(19,236,381)	-		
Net Position, beginning of year, (restated)	822,098,287	-		
Net Position, end of year	$ 794,522,093	$ 841,334,668	$ (46,812,575)	(5.6)%

SACRAMENTO REGIONAL TRANSIT DISTRICT
REVENUES BY SOURCE

Operating Revenue by Source



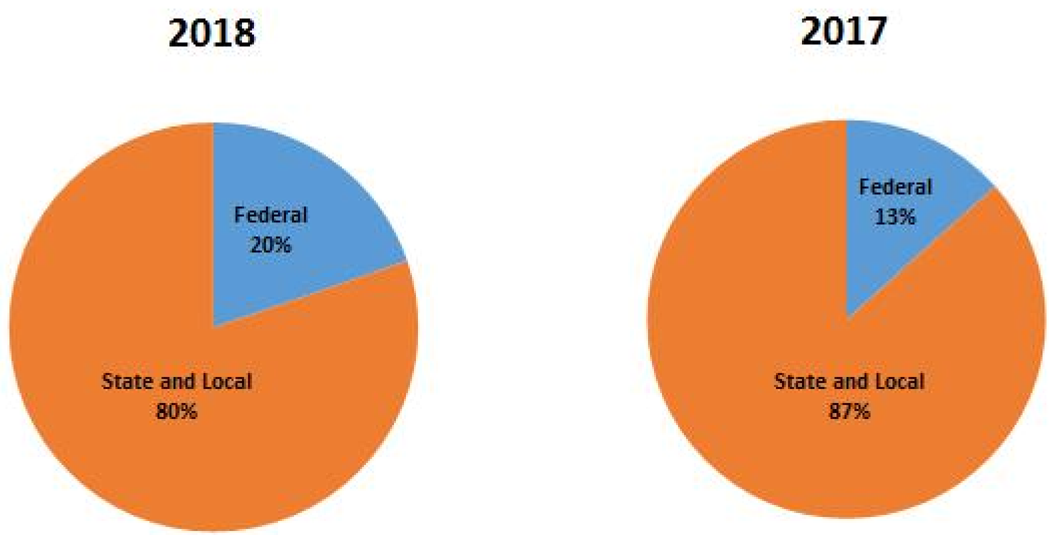


The significant changes in Operating Revenue by Source are described below:

Fares, investment income, contracted services, and other revenue decreased by a combined $2,323,875 for the fiscal year ended June 30, 2018 or (5.4) percent. The decrease is primarily attributed to the decreased ridership and is partially mitigated by an increase in carbon credit sales due to higher market prices.

Operating assistance increased by $12,563,055 or 10.3 percent for the fiscal year ended June 30, 2018 due to Local Transportation and Measure A funds generated by sales tax, new SB1 funds generated by state fuel tax and registration fees and increased federal preventative maintenance funding due to a favorable formula revision at the local level.

Capital Revenue by Source

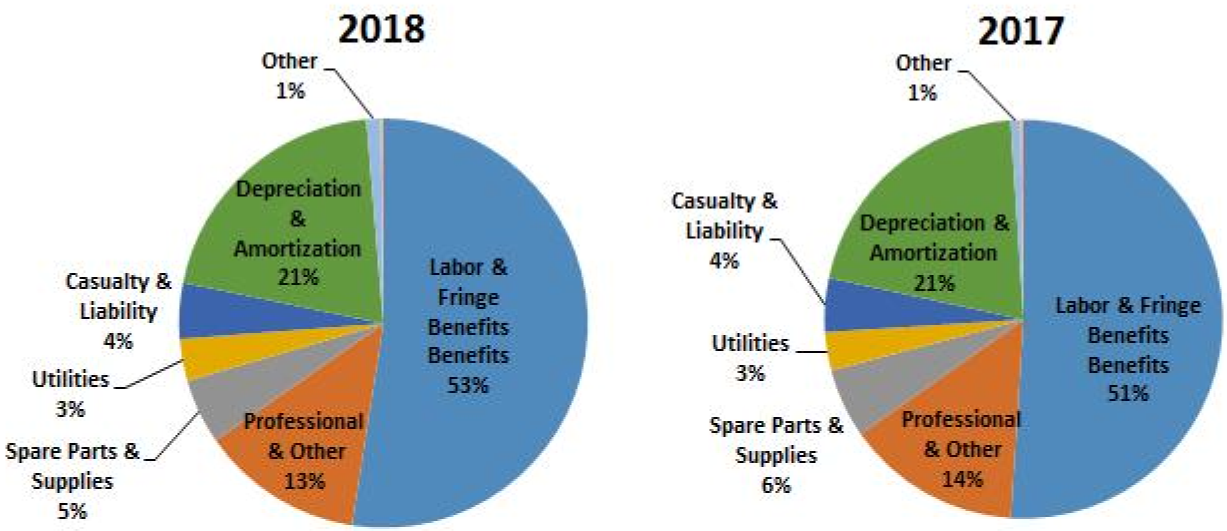


The significant changes in Capital Revenue by Source are described below:

The majority of construction and acquisition activities are funded with capital contributions from other governmental units such as federal, state, and local agencies. Capital contributions decreased by $46,320,160 million or 68.9 percent during the fiscal year ended June 30, 2018. The decrease for the fiscal year ended June 30, 2018 is the result of a one-time contribution of Transportation Congestion Relief Program (TCRP) funds in fiscal year 2017. 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 by Source are described below:

Total operating costs decreased by $2,462,000 or 1.2 percent for the fiscal year ended June 30, 2018. The decrease is due to a decrease in OPEB costs/expense resulting from changes in actuarial assumptions, a decline in Paratransit costs due to quality and productivity enhancements and the reduction of security services as the District brought the majority of its contracted security guard services in house. This decrease was partially mitigated by a rise in labor costs resulting from contractual rate escalation.

SACRAMENTO REGIONAL TRANSIT DISTRICT
FISCAL YEAR 2018
STATEMENT OF REVENUES AND EXPENSES BY FUNDING DESIGNATION

	FY 2018 Funding Designation		
Statement of Revenues and Expenses	Operations	Capital Improvement Program and GASB	Total
OPERATING REVENUES (Fares)	**$ 27,276,231**	**$ -**	**$ 27,276,231**
OPERATING EXPENSES			
Labor and Fringe Benefits	109,022,371	1,522,511	110,544,882
Professional and Other Services	22,923,065	4,195,641	27,118,706
Spare Parts and Supplies	9,308,799	1,532,606	10,841,405
Utilities	6,994,536	-	6,994,536
Casualty and Liability Costs	9,299,744	-	9,299,744
Depreciation	-	43,125,921	43,125,921
Indirect Costs Allocated to Capital Programs	(459,336)	-	(459,336)
Other	2,355,417	-	2,355,417
Total Operating Expenses	**159,444,596**	**50,376,679**	**209,821,275**
Loss from Operations	**(132,168,365)**	**(50,376,679)**	**(182,545,044)**
NON-OPERATING REVENUES (EXPENSES)			
Operating Assistance			
State and Local	93,339,133	-	93,339,133
Federal	37,059,773	4,686,108	41,745,881
Investment Income	2,155,089	67,893	2,222,982
Interest Expense	(2,575,090)	(131,667)	(2,706,757)
Pass Through to Subrecipients	-	(4,644,848)	(4,644,848)
Professional and Other Services Funded by Others	-	(7,324,632)	(7,324,632)
Contract Services	6,420,062	-	6,420,062
Other	4,941,405	39,562	4,980,967
Total Non-operating Revenues (Expense)	**141,340,372**	**(7,307,584)**	**134,032,788**
Loss Before Capital Contributions	**9,172,007**	**(57,684,263)**	**(48,512,256)**
Capital Contributions			
State and Local	-	16,803,544	16,803,544
Federal	-	4,132,518	4,132,518
Total Capital Contributions	**-**	**20,936,062**	**20,936,062**
Change in Net Position	**$ 9,172,007**	**$ (36,748,201)**	**$ (27,576,194)**

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, 2018, the District's operating results were as follows: $27,276,231 in fare revenues, $159,444,596 in operating expenses, and $141,340,372 in non-operating revenues, resulting in a $9,172,007 operating surplus. Additional information regarding the Statement Of Revenues By Funding Designation can be found in the District's 2018 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 net position as of June 30, 2018 of $794,522,093, a decrease of $27,576,194 or 3.3 percent.

Capital Asset and Long-Term Debt Activity

As of June 30, 2018, the District's investment in various capital assets, such as bus and light rail vehicles, facilities, land, buildings and equipment decreased to $910,099,446 from $945,167,876 representing a (3.7) percent decrease as depreciation exceeded capital acquisition activity. Additional information on capital assets can be found in Footnote 3 to the financial statements.

The District's Farebox Revenue Bonds decreased by $175,532 for the fiscal year ended June 30, 2018 or 0.3 percent. As of June 30, 2018, the $50,841,764 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 $42,830,939 as of June 30, 2018, 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, 2018 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, 2018, the District has construction contracts and property acquisition commitments of approximately $21,719,019.

Request for Information

Please address all questions or requests for additional information to the Finance and Treasury Department, Attention: Chief Financial Officer, Sacramento Regional Transit District, 1400 29th Street, PO Box 2110, Sacramento CA 95812-2110.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION - BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
JUNE 30, 2018

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	7,555,088
Restricted Cash and Cash Equivalents		7,243,063
Investments		363,530
Receivables:		
State and Local Government		11,201,961
Federal Government		50,942,428
Other		5,099,756
Spare Parts and Supplies Inventory		23,614,563
Other Current Assets		28,405
Total Current Assets		106,048,794
Non-Current Assets:		
Restricted Cash and Cash Equivalents		19,241,886
Investments		2,790,580
Deposits for Lease/Leaseback Payable		42,830,939
Non-Depreciated Capital Assets		122,392,192
Depreciated Capital Assets, Net		787,707,254
Total Non-Current Assets		974,962,851
Total Assets		1,081,011,645
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows from Pension		32,736,667
Deferred Outflows from Other Post Employment Benefits		3,182,371
Deferred Outflows: Loss on Refunding		7,275,158
Total Deferred Outflows of Resources		43,194,196
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	1,124,205,841

See accompanying notes to the financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION - BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
JUNE 30, 2018

LIABILITIES	
Current Liabilities:	
Line of Credit	$ 14,500,000
Accounts Payable	11,188,025
Other Accrued Liabilities	4,197,594
Compensated Absences	7,791,551
Interest Payable	230,641
Unearned Revenue	1,686,689
Advances from Other Governments	5,261,377
Claims Payable	3,099,693
Revenue Bonds	175,532
Total Current Liabilities	48,131,102
Long-Term Liabilities:	
Compensated Absences	2,524,678
Advances from Other Governments	15,597,507
Claims Payable	14,892,934
Revenue Bonds	50,666,232
Loan Payable	13,988,074
Lease/Leaseback Payable	42,830,939
Net Pension Liability	104,737,761
Net Other Post Employment Benefit Liability	21,604,367
Total Long-Term Liabilities	266,842,492
Total Liabilities	314,973,594
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows from Other Post Employment Benefits	604,856
Deferred Gain on Lease/Leaseback	6,926,086
Deferred Inflows from Pension	7,179,212
Total Deferred Inflows of Resources	14,710,154
NET POSITION	
Net Investment in Capital Assets	852,174,010
Restricted for:	
Debt Service	3,483,942
Unrestricted	(61,135,859)
Total Net Position	794,522,093
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 1,124,205,841

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, 2018

OPERATING REVENUES	
Fares	$ 27,276,231
OPERATING EXPENSES	
Labor and Fringe Benefits	110,544,882
Professional and Other Services	27,118,706
Spare Parts and Supplies	10,841,405
Utilities	6,994,536
Casualty and Liability Costs	9,299,744
Depreciation	43,125,921
Indirect Costs Allocated to Capital Programs	(459,336)
Other	2,355,417
Total Operating Expenses	209,821,275
Operating Loss	(182,545,044)
NON-OPERATING REVENUES (EXPENSES)	
Operating Assistance:	
State and Local	93,339,133
Federal	41,745,881
Investment Income	2,222,982
Interest Expense	(2,706,757)
Pass-Through to Subrecipients	(4,644,848)
Professional and Other Services-Funded	(7,324,632)
Contract Services	6,420,062
Other	4,980,967
Total Non-Operating Revenues	134,032,788
Loss Before Capital Contributions	(48,512,256)
Capital Contributions:	
State and Local	16,803,544
Federal	4,132,518
Total Capital Contributions	20,936,062
Decrease in Net Position	(27,576,194)
Net Position, beginning of year	841,334,668
Cumulative effect of GASB Statement no. 75 Implementation	(19,236,381)
Net Position, beginning of year, (restated)	822,098,287
Net Position, end of year	$ 794,522,093

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 28,071,884
Cash Received from Contract Sources	6,420,062
Cash Paid to Suppliers	(70,850,727)
Cash Paid to Employees and Employee Benefits	(107,614,861)
Cash Received from Other Sources	4,980,967
Net Cash Used in Operating Activities	(138,992,675)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and Local Receipts	91,164,278
Federal Receipts	38,416,951
Payments Pass-Through to Subrecipients	(4,644,848)
Advances on the Line of Credit	71,300,000
Payments on the Line of Credit	(72,800,000)
Net Cash Provided by Noncapital Financing Activities	123,436,381
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(5,844,896)
Interest Paid	(743,229)
Proceeds from Sale of Capital Assets Receipts	39,562
State and Local Capital Grants Receipts	17,315,851
Federal Capital Grants	2,581,040
Net Cash Used in Capital and Related Financing Activities	13,348,328
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,045,781
Purchases of Investments	(1,010,260)
Investment Income	216,652
Net Cash Provided by Investing Activities	252,173
Net (Decrease) in Cash and Cash Equivalents	(1,955,793)
Cash and Cash Equivalents, July 1	35,995,830
Cash and Cash Equivalents, June 30	$ 34,040,037
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and Cash Equivalents	$ 7,555,088
Restricted Cash and Cash Equivalents, Current	7,243,063
Restricted Cash and Cash Equivalents, Non-Current	19,241,886
Total Cash and Cash Equivalents	$ 34,040,037

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, 2018

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

Operating Loss	$ (182,545,044)
Adjustments to Reconcile Net Loss from Operations to Net Cash Used in Operating Activities:	
Depreciation	43,125,921
Professional and Other Services- Nonoperating Expense	(7,324,632)
Contract Services- Nonoperating Income	6,420,062
Miscellaneous Nonoperating Income	4,980,967
Effect of Changes in:	
Other Receivables	276,961
Spare Parts and Supplies Inventory	(2,545,057)
Other Current Assets	20,511
Accounts Payable and Accrued Liabilities	505,332
Compensated Absences and Other	383,654
Unearned Revenue	518,692
Claims Payable	(4,505,211)
Net Pension Liability and Related Deferred Inflows and Outflows	1,900,912
Net OPEB Liability and Related Deferred Inflows and Outflows	(205,743)
Net Cash Used in Operating Activities	$ (138,992,675)

NON-CASH INVESTING AND FINANCING ACTIVITIES

Interest Income from Investments Held to Pay Lease/Leaseback	$ 2,090,214
Interest Expense on Capital Lease/Leaseback	(2,090,214)
Capital Assets Included in Accounts Payable	1,951,443
Capital Contributions Included in Receivables	21,057,387

See accompanying notes to the financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2018

ASSETS		
Cash and Cash Equivalents	$	14,199,195
Receivables:		
Securities sold		443,697
Interest and dividends		599,812
Other receivables and prepaids		161,443
Total Receivables		1,204,952
Investments:		
Equity securities		181,782,858
Fixed income securities		105,350,919
Total Investments		287,133,777
Total Assets		302,537,924
LIABILITIES		
Securities purchased payable		18,359,094
Accounts payable		704,055
Total Liabilities		19,063,149
NET POSITION RESTRICTED FOR PENSION BENEFITS	$	283,474,775

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, 2018

ADDITIONS	
Contributions:	
Employer	$ 18,728,510
Member	583,518
Change in bargaining group	2,638,467
Total Contributions	21,950,495
Investment Income:	
Net appreciation in fair value of investments	15,319,829
Interest, dividends, and other income	4,323,799
Investment expenses	(1,348,767)
Net Investment Income/(Expense)	18,294,861
Total Additions	40,245,356
DEDUCTIONS	
Benefits paid to participants	22,705,163
Change in bargaining group	2,638,467
Administrative expenses	732,835
Total Deductions	26,076,465
Increase/(Decrease) in Net Position	14,168,891
Net Position, Restricted for Pension Benefits - Beginning of Year	269,305,884
Net Position, Restricted for Pension Benefits - End of Year	$ 283,474,775

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 Retirement Plan Fund (ATU Plan) accounts for the retirement funds of members of ATU Local 256.

The International Brotherhood of Electrical Workers (IBEW) Local 1245 Member Retirement Plan Fund (IBEW Plan) accounts for the retirement funds of members of 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

INVESTMENTS

Investments consist of securities or other assets that the District holds primarily for the purpose of income or profit and its present service capacity is based solely on its ability to generate cash or to be sold to generate cash. 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, 2018, management has estimated that no allowance for uncollectible accounts is needed.

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

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.

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 incurred.

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 Plan, 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)

OTHER POST-EMPLOMENT BENEFITS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the California Employers' Retiree Benefit Trust Program (CERBT) and additions to/deductions from CERBT's fiduciary net position have been determined on the same basis as they are reported by CERBT. For this purpose, CERBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement requires the District to record the excess of the total OPEB liability over the assets held in qualifying trust for future OPEB benefits as a net OPEB liability on the Statement of Net Position. The change in accounting for OPEB as discussed in Note 10, resulted in the restatement of business-type activities net position at July 1, 2017 in the amount of $19,236,381.

In 2018, the District adopted GASB Statement No. 85, Omnibus 2017, which addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits(pensions and OPEB). The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

2. CASH AND INVESTMENTS

The total cash and investments as of June 30, 2018, are reported in the accompanying basic financial statements as follows:

	Enterprise Fund	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	$ 7,435,176	$ -	$ 7,435,176
Cash on hand	119,912	-	119,912
Investments	3,154,110	-	3,154,110
Total unrestricted	10,709,198	-	10,709,198
Restricted:			
Cash and cash equivalents	26,484,949	14,199,195	40,684,144
Investments	-	287,133,777	287,133,777
Total restricted	26,484,949	301,332,972	327,817,921
Total cash and investments	$ 37,194,147	$ 301,332,972	$ 338,527,119

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 applicable investments as of June 30, 2018:

Enterprise Fund

	Maturities in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Total
Collateralized Mortgage Obligations	$ -	$ 50,019	$ -	$ -	$ 50,019
Corporate Bonds	224,072	612,456	-	-	836,528
Asset-Backed Securities	728	196,665	-	-	197,393
U.S. Government Agency Obligations	84,499	1,036,991	-	-	1,121,490
U.S. Government Issued Obligations	54,231	894,449	-	-	948,680
Total Enterprise Fund	$ 363,530	$ 2,790,580	$ -	$ -	$ 3,154,110

Fiduciary Fund

	Maturities in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Total
Collateralized Mortgage Obligations	$ 376	$ 456,959	$ 680,259	$ 2,690,527	$ 3,828,121
Corporate Bonds	4,924,227	12,718,012	9,647,589	5,043,236	32,333,064
Municipal Bonds	-	95,633	657,283	653,470	1,406,386
U.S. Government Agency Obligations	-	415,664	1,140,061	26,365,348	27,921,073
U.S. Government Issued Obligations	-	18,716,875	3,656,385	7,384,833	29,758,093
Asset-Backed Securities	-	-	772,959	9,331,223	10,104,182
Total Fiduciary Fund	$ 4,924,603	$ 32,403,143	$ 16,554,536	$ 51,468,637	$ 105,350,919

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, 2018, the District held callable bonds in the amount of $296,636. The Pension Trust Funds held callable bonds in the amount of $17,813,152.

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, 2018, was $10,215,920.

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 34. As of June 30, 2018, the District’s investments in CalTRUST were $16,861,501, 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, 2018, management has reported that 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 investments as of June 30, 2018:

	Enterprise Fund	
Moody's Ratings	Amount	Percentage of Portfolio
Aaa/Aaa-mf/P1	$ 2,405,284	76.26%
Aa1	19,699	0.62%
Aa3	39,181	1.24%
A1	304,796	9.66%
A2	272,666	8.64%
A3	112,484	3.58%
	$ 3,154,110	100.00%

	Fiduciary Fund	
Moody's Ratings	Amount	Percentage of Portfolio
Not Applicable	$ 181,782,858	63.31%
Not rated	32,492,356	11.32%
Aaa	36,825,084	12.83%
Aa1	861,710	0.30%
Aa2	1,455,807	0.51%
Aa3	1,383,478	0.48%
A1	2,158,981	0.75%
A2	2,955,235	1.03%
A3	6,684,639	2.33%
Baa1	4,838,416	1.69%
Baa2	5,512,316	1.92%
Baa3	5,950,422	2.07%
Ba1	1,285,038	0.45%
Ba2	465,367	0.16%
Ba3	543,128	0.19%
B1	481,359	0.17%
B2	282,662	0.10%
B3	820,558	0.29%
Caa1	82,686	0.02%
Caa2	49,585	0.01%
Ca	5,429	0.00%
WR	216,663	0.07%
Total	$ 287,133,777	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 2018, the District had the following investments in one issuer that comprised more than 5% of total investments in a single issuer:

Federal National Mortgage Association	$	749,798
Federal Home Loan Mortgage Corporation		319,284

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. As of June 30, 2018, the Plans had the following investments in one issuer that comprised more than 5% of Plan net assets:

Federal Home Loan Mortgage Corporation	$	14,767,906

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, 2018, $3,295,991 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, 2018, 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, 2018, 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, 2018, 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	$ 5,992
	EURO	450
	Japanese Yen	96
	Total:	$ 6,538

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, 2018:

2. CASH AND INVESTMENTS (Continued)

Investments measured at fair value

	6/30/2018	Level 1	Level 2	Level 3
Enterprise fund				
Debt securities				
Collateralize mortgage obligations	$ 50,019	$ -	$ 50,019	$ -
Corporate bonds	836,528	-	836,528	-
Asset backed securities	197,393	-	197,393	-
U.S. Government Agency obligations	1,121,490	-	1,121,490	-
U.S. Government issued obligations	948,680	-	948,680	-
Carbon credits (LCFS/RIN)*	679,970	679,970	-	-
Total enterprise fund	3,834,080	679,970	3,154,110	-
Fiduciary fund				
Debt securities				
Collateralize mortgage obligations	3,828,121	-	3,828,121	-
Corporate bonds	32,333,064	-	32,333,064	-
Municipals	1,406,386	-	1,406,386	-
U.S. Government Agency obligations	27,921,073	-	27,921,073	-
U.S. Government issued obligations	29,758,093	-	29,758,093	-
Asset backed obligations	10,104,182	-	10,104,182	-
Equity securities				
Common stock	65,131,227	65,131,227	-	-
Depository receipts	1,097,234	1,097,234	-	-
Real estate investment trust	1,042,729	1,042,729	-	-
Total fiduciary fund	172,622,109	67,271,190	105,350,919	-
Total investments measured at fair value	$ 176,456,189	$ 67,951,160	$ 108,505,029	$

Investments measured at the net asset value (NAV)

Enterprise fund	
CalTRUST	$ 16,861,501
Fiduciary fund	
S&P 500 Index Fund	46,292,667
MSCI EAFE Index Fund	11,240,961
International Equity Fund	26,142,394
International Small Capital Equity Fund	14,589,347
International Emerging Markets Fund	16,246,299
Total fiduciary fund	114,511,668
Total investments measured at NAV	131,373,169
Total Investments	$ 307,829,358

*Balance included in Receivables Other on the Statement of Net Position

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)	$ 16,861,501	-	Daily	1 day
Fiduciary fund				
S&P 500 Index Fund (2)	46,292,667	-	Daily	1 day
MSCI EAFE Index Fund (3)	11,240,961	-	Semi-monthly	6-8 days
International Equity Fund (4)	26,142,394	-	Monthly	7 days
International Small Capital Equity Fund (5)	14,589,347	-	Monthly	2 days
International Emerging Markets Fund (6)	16,246,299	-	Daily	1 day
Total fiduciary fund	114,511,668			
Total investments measured at NAV	$ 131,373,169			

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, 2018, cash and investments include restricted amounts of $26,484,949. Amounts represent monies restricted for debt reserve requirements and capital projects of $5,064,629, developer fee projects of $11,469,827, and grantor-approved projects of $9,950,493.

Fiduciary Funds

At June 30, 2018, restricted cash and investments of the Pension Trust Funds totaled $301,332,972. Amounts represent funds restricted for employees' retirement.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Transfers	Deletions	Balance June 30, 2018
Non-Depreciated Capital Assets					
Land*	$ 91,147,992	$ 43,568	$ -	$ -	$ 91,191,560
Construction in Progress	31,025,370	5,681,275	(5,506,013)	-	31,200,632
Total Non-Depreciated Capital Assets	122,173,362	5,724,843	(5,506,013)	-	122,392,192
Depreciated Capital Assets					
Buildings and Improvements*	974,502,361	1,296,520	335,579	-	976,134,460
Buses and Other Equipment	335,543,851	1,455,891	5,170,434	(1,718,575)	340,451,601
Total Depreciated Capital Assets	1,310,046,212	2,752,411	5,506,013	(1,718,575)	1,316,586,061
Accumulated Depreciation:					
Buildings and Improvements	(318,530,364)	(25,044,547)	-	-	(343,574,911)
Buses and Other Equipment	(168,521,334)	(18,501,137)	-	1,718,575	(185,303,896)
Total Accumulated Depreciation	(487,051,698)	(43,545,684)	-	1,718,575	(528,878,807)
Capital Assets Being Depreciated, Net	822,994,514	(40,793,273)	5,506,013	-	787,707,254
Capital Assets, Net	$ 945,167,876	$ (35,068,430)	$ -	$ -	$ 910,099,446

*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 to five 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. No interest was incurred in fiscal year 2018 as all interest payments for the years ending June 30, 2018 and 2019 are being paid out of an irrevocable trust escrow account established with the February 14, 2017 partial defeasance. The cumulative capitalized interest on these bonds is $10,326,681 at June 30, 2018.

4. LEASES

OPERATING LEASES

The District leases buildings, parking lots, and office facilities under non-cancelable operating leases. Total cost for such leases was $203,183 for the fiscal year ended June 30, 2018. The future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2019	$ 53,700
2020	50,400
2021	48,000
2022	44,000
Total	$ 196,100

CAPITAL LEASES

FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK

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

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

4. LEASES (Continued)

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, 2018, the District amortized $419,763 of such deferred gain. At June 30, 2018, the District had a balance of $6,926,086 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 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, 2018, the balance of this deposit was $42,830,939.

4. LEASES (Continued)

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

Future minimum payments due in fiscal years ending June 30:	Amount
2019	$ -
2020	-
2021	-
2022	-
2023	-
2024-2028	-
2029-2033	14,252,635
2034-2036	83,679,455
Total future minimum payments	97,932,090
Less: imputed interest	(55,101,151)
Present value of minimum lease payments	$ 42,830,939

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 $27,000,000 limit and matures on September 28, 2019. The interest rate for the LOC with U.S. Bank for the used portion of the LOC was at LIBOR plus 1.40% and the unused portion was a fixed 0.65% for the fiscal year ending June 30, 2018.

As of June 30, 2018, 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, 2018, is summarized as follows:

Beginning Balance	$ 16,000,000
Draws	71,300,000
Payments	(72,800,000)
Ending Balance	$ 14,500,000

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.

As of June 30, 2018, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
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	1,330,000	2,100,600	3,430,600
2024-2028	7,725,000	9,435,750	17,160,750
2029-2033	9,840,000	7,321,400	17,161,400
2034-2038	12,285,000	4,870,500	17,155,500
2039-2042	12,165,000	1,558,250	13,723,250
Total	$ 46,687,500	$ 31,386,775	$ 78,074,275

As of June 30 2018, the unamortized premium associated with the Revenue Bonds was $4,154,264. The amortization of the premium for fiscal year ended June 30, 2018, was $175,532.

As of June 30, 2018, the Districted reported compliance with all financial covenants of the Farebox Revenue Bonds.

6. LONG-TERM DEBT (Continued)

LOANS PAYABLE

Loans payable at June 30, 2018, 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, 2021. 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, 2018, the principal balance of the PTA loan was $13,988,074 and accrued interest was $175,499.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2018, *was as follows:*

	Beginning Balance	Additions	Deductions	Ending Balance	Due within One Year
2012 Revenue Bonds	$ 46,687,500	$ -	$ -	$ 46,687,500	$ -
Issuance Premium	4,329,796	-	(175,532)	4,154,264	175,532
Total 2012 Revenue Bonds	51,017,296	-	(175,532)	50,841,764	175,532
Compensated Absences	9,932,575	7,907,728	(7,524,074)	10,316,229	7,791,551
Loans Payable	13,988,074	-	-	13,988,074	-
Advances from Other Governments	23,618,224	3,226,975	(5,986,315)	20,858,884	5,261,377
Claims Payable	22,497,838	6,596,226	(11,101,437)	17,992,627	3,099,693
Lease/Leaseback Payable	40,740,724	2,090,215	-	42,830,939	-
Long-Term Liabilities	$ 161,794,731	$ 19,821,144	$ (24,614,700)	$ 157,001,175	$ 16,328,153

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), Federal Highway Administration (FHWA) and Department of Homeland Security. Federal funding for the fiscal year ended June 30, 2018, is comprised of the following:

Operating assistance grants:	
FTA Section 5307	$ 23,847,772
FTA Section 5337	13,804,359
FTA Section 5339	2,244,772
FTA Section 5309	1,807,718
Dept of Homeland Security	41,260
Total Federal operating assistance grants	41,745,881
Capital grants:	
FTA Section 5307	2,090,291
FTA Section 5312	870,000
FTA Section 5309	688,204
FTA Section 5339	299,943
FTA Section 5317	123,428
Federal Highway Planning and Construction	60,652
Total Federal capital grants	4,132,518
Total Federal operating and capital grants	$ 45,878,399

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, 2018, is comprised of the following:

Operating assistance grants:		
Measure A Sales Tax Revenue	$	41,446,332
Local Transportation Funds		40,966,707
State Transit Assistance		7,744,735
Senate Bill 1 - State of Good Repair		2,306,188
Low Carbon Transit Operations Program		875,171
Total state and local operating assistance grants		93,339,133
Capital grants:		
City of Sacramento		3,386,275
City of West Sacramento		3,364,768
Proposition 1B		2,691,596
State Transit Assistance		2,552,916
UTDC Donated Light Rail Vehicle Parts		2,346,128
Developer Fees		1,003,509
Traffic Congestion Relief Program		598,702
Transit and Intercity Rail Program		456,715
California Department of Transportation		343,317
Other		59,618
Total state and local capital grants		16,803,544
Total state and local grants	$	110,142,677

7. FUNDING SOURCES (Continued)

ADVANCES FROM OTHER GOVERNMENTS

Advances from other governments at June 30, 2018, consisted of the following:

Developer Fees	$	11,446,735
Proposition 1B		4,997,102
Environmental Council of Sacramento (ECOS)		1,693,695
Sacramento County		1,229,721
Sacramento Emergency Clean Air & Transportation (SECAT)		1,210,184
Sacramento Municipal Utility District		252,860
Low Carbon Operations Transit Program		21,724
Other		6,863
Total advances from other governments	$	20,858,884

The advances from other governments is restricted cash from grants, fees from area developers designated specifically for transit improvements, and lawsuit settlement proceeds received, but not yet spent; utilized principally for capital projects. Management makes an estimate of the amount that will be recognized in the next fiscal year and classifies this amount as current.

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 revenues 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, 2018, was as follows:

Revenues	$	1,466,387
Expenditures:		
Bus Maintenance Facility		(543,663)
UTDC Retrofit		(468,694)
Replace Non-Revenue Vehicles		(345,080)
LRT Crossing Enhancements		(106,824)
ADA Transit Plan Improvements		(29,750)
29th Street Station Enhancements		(13,813)
Fulton Bus Shelter		(12,423)
Downtown/Riverfront Streetcar		(957)
Fulton Bus Shelter		(401)
Light Rail Vehicle Midlife Overhaul		(284)
Connect Card		361
South Line Phase 2 Extension		55,141
Net Activity	$	-

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, 2018:

Fare Revenues	$	27,276,231
Local Fund Supplementation (Measure A)		8,320,951
Total Revenues	$	35,597,182
Operating Expenses	$	209,821,275
Less Allowable Exclusions:		
Depreciation		(43,125,921)
Paratransit Operations	$	(11,924,999)
Net Operating Expenses	$	154,770,355
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).

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.

Change in Bargaining Group – Changes in bargaining groups occur when an active employee of any Plan accepts a new position with a bargaining unit that participates in another Plan. When a change in bargaining group occurs contributions made on behalf of that employee must be assessed to determine if the assets need to be moved to the new Plan. Amounts related to a change in bargaining group are recorded upon final verification and approval of calculated amounts by the District and the related bargaining group's retirement board. During the year ending June 30, 2018 assets were moved from the ATU Plan to the Salaried Plan in the amount of $2,638,467. The effects of the change can be seen on the Statement of Changes in Net Position as Change in Bargaining Group within the additions and deductions categories.

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.

9. PENSION PLANS (Continued)

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.

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, 2018, consisted of:

Retirees and beneficiaries currently receiving benefits	342
Terminated members entitled to but not yet collecting benefits	337
Current active members	1,009
	1,688

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, 2018.

Table 1

TIER 1 & TIER 3	**ATU Plan**	**IBEW Plan**	**Salaries 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, 2018.

Table 2

TIER 2	ATU Plan	IBEW Plan	Salaried Plan			
Employee Unions/Groups	**ATU**	**IBEW**	**AFSCME - Technical**	**AFSCME - Supervisors**	**AEA**	**MCEG**
Plan Terms	PEPRA	PEPRA	PEPRA	PEPRA	PEPRA	PEPRA
Vesting Period: Years of Service - % Vested	5 - 100%	5 - 100%	5 - 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	Not Allowable	Not 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 retirement ages and multipliers are mandated by PEPRA as follows, 2% at age 62 and 2.5% at age 67. There were no changes to benefits during the year ended June 30, 2018.

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, 2018, the District made 100% of the actuarially determined contributions. Contributions to the ATU, IBEW, and Salaried Plan for fiscal year ended June 30, 2018, were $7,863,420, $3,195,912, and $7,669,178, 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, 2018:

Table 3

	Tier 1		Tier 3	
Employee Group	**Employer**	**Employee**	**Employer**	**Employee**
ATU	27.04%	-	24.04%	3.00%
IBEW	25.31%	-	-	-
AEA, MCEG and AFSCME	32.52%	-	-	-

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. As of January 1, 2018 and April 1, 2018 the AFSMCE-Technical and IBEW groups, respectively, transitioned to PEPRA contributions and reuqirements. Table 4 presents the employer and employee contribution rates for Tier 2 employees as of June 30, 2018:

Table 4

	Tier 2	
Employee Group	**Employer**	**Employee**
ATU	20.54%	6.50%
IBEW	20.06% to 23.81%	1.50% to 5.25%
AFSCME - Technical	27.27% to 31.02%	1.50% to 5.25%
AEA, MCEG, and AFSCME - Supervisors	27.27%	5.25%

The employee contributions to the ATU, IBEW, and Salaried Plan for the fiscal year ended June 30, 2018, were $337,009, $103,415, and $143,094, respectively.

The employee contribution rates calculated in compliance with PEPRA, for June 30, 2018, were actuarially determined as part of the valuations dated July 1, 2016. Employer contribution rates are calculated and change annually for all tiers. The employee contribution rates for Tier 2 employees is also calculated annually but only changes if the total normal cost changes by more than 1 percent of payroll.

9. PENSION PLANS (Continued)

NET PENSION LIABILITY

The District's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and projected to June 30, 2017 for the ATU, IBEW and Salaried Plans. Update procedures were used to roll forward the total pension liability to the measurement date. The reporting date is June 30, 2018, for all Plans.

Actuarial Assumptions – The total pension liability in the June 30, 2017 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement for the ATU, IBEW, and Salaried Plans. The actuarial assumptions were consistent for fiscal years ending June 30, 2017 and 2018:

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 and 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2015.

9. PENSION PLANS (Continued)

For the ATU, IBEW, and 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 Plan as of June 30, 2018:

Table 5

	ATU Plan		
	Increase (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2017	$ 172,006,419	$ 119,096,442	$ 52,909,977
Changes for the year:			
Service cost	4,835,944	-	4,835,944
Interest	12,885,195	-	12,885,195
Changes of benefit terms	(11,268)	-	(11,268)
Differences between expected and actual experience	(5,577,742)	-	(5,577,742)
Contributions - employer	-	7,987,367	(7,987,367)
Contributions - member	-	168,463	(168,463)
Net Investment Income	-	14,419,708	(14,419,708)
Benefit payments	(10,776,986)	(10,776,986)	-
Administrative expense	-	(306,539)	306,539
Net Changes	1,355,143	11,492,013	(10,136,870)
Balances at 6/30/2018	$ 173,361,562	$ 130,588,455	$ 42,773,107

9. PENSION PLANS (Continued)

Table 6 below presents the changes in the net pension liability for the IBEW Plan as of June 30, 2018:

Table 6

	IBEW Plan Increase (Decreases)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 6/30/2017	$ 66,756,502	$ 48,918,578	$ 17,837,924
Changes for the year:			
Service cost	1,640,651	-	1,640,651
Interest	4,742,855	-	4,742,855
Changes of benefits	(105,379)	-	(105,379)
Differences between expected and actual experience	2,420,299	-	2,420,299
Contributions - employer	-	3,315,379	(3,315,379)
Contributions - member	-	39,287	(39,287)
Net Investment Income	-	5,332,230	(5,332,230)
Benefit payments	(3,281,167)	(3,281,167)	-
Administrative expense	-	(239,188)	239,188
Net Changes	5,417,259	5,166,541	250,718
Balances at 6/30/2018	$ 72,173,761	$ 54,085,119	$ 18,088,642

9. PENSION PLANS (Continued)

Table 7 below presents the changes in net pension liability for the Salaried Plan as of June 30, 2018:

Table 7

	Salaried Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2017	$ 121,090,442	$ 75,337,019	$ 45,753,423
Changes for the year:			
Service Cost	3,873,148	-	3,873,148
Interest	8,960,042	-	8,960,042
Changes in benefits	(298,430)	-	(298,430)
Differences between expected and actual experience	2,062,482	-	2,062,482
Changes of assumptions	-	-	-
Contributions - employer	-	7,321,138	(7,321,138)
Contributions - member	-	53,706	(53,706)
Net Investment Income	-	9,388,876	(9,388,876)
Benefit Payments, including refunds of employee contributions	(7,179,362)	(7,179,362)	-
Administrative Expense	-	(289,067)	289,067
Net Changes	7,417,880	9,295,291	(1,877,411)
Balances at 6/30/2018	$ 128,508,322	$ 84,632,310	$ 43,876,012

9. PENSION PLANS (Continued)

Table 8 below presents the changes in net pension liability combined for the ATU, IBEW and Salaried Plans as of June 30, 2018:

Table 8

	ATU, IBEW and Salaried Plan Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 6/30/2017	$ 359,853,363	$ 243,352,039	$ 116,501,324
Changes for the year:			
Service Cost	10,349,743	-	10,349,743
Interest	26,588,093	-	26,588,093
Changes of benefits	(415,077)	-	(415,077)
Differences between expected and actual experience	(1,094,961)	-	(1,094,961)
Changes of assumptions	-	-	-
Contributions - employer	-	18,623,884	(18,623,884)
Contributions - member	-	261,456	(261,456)
Net Investment Income	-	29,140,816	(29,140,816)
Benefit Payments, including refunds of employee contributions	(21,237,515)	(21,237,515)	-
Administrative Expense	-	(834,795)	834,795
Net Changes	14,190,283	25,953,846	(11,763,563)
Balances at 6/30/2018	$ 374,043,646	$ 269,305,885	$ 104,737,761

There are no special funding situations for the ATU, IBEW or Salaried Plans for the fiscal year ending June 30, 2018.

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 Plan	$ 60,467,956	$ 42,773,107	$ 27,634,903
IBEW Plan	25,990,982	18,088,642	11,362,871
Salaried Plan	58,624,507	43,876,012	31,028,014
Total	$ 145,083,445	$ 104,737,761	$ 70,025,788

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.

9. PENSION PLANS (Continued)

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 and Salaried Plans for the fiscal year ended June 30, 2018, was $10,116,495, 2,864,028 and $7,476,241, respectively, totaling $20,456,764. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments:		
ATU Plan	$ 2,800,030	$ -
IBEW Plan	1,015,741	-
Salaried Plan	981,476	-
Differences between expected and actual experience:		
ATU Plan	-	5,639,924
IBEW Plan	2,016,916	431,698
Salaried Plan	1,649,986	699,493
Changes of assumptions:		
ATU Plan	3,886,642	-
IBEW Plan	1,424,651	-
Salaried Plan	232,715	408,097
Total of inflows and outflows before employer contributions	14,008,157	7,179,212
Employer contributions subsequent to the measurement date of the net pension liability:		
ATU Plan	7,863,420	-
IBEW Plan	3,195,912	-
Salaried Plan	7,669,178	-
Total employer contributions	18,728,510	-
Total deferred inflows and outflows	$ 32,736,667	$ 7,179,212

9. PENSION PLANS (Continued)

Deferred outflows of resources resulting from contributions made subsequent to the measurement date in the amount of $18,728,510 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 Plan	IBEW Plan	Salaried Plan	Total
2019	$ 243,044	$ 898,722	$ 352,947	$ 1,494,713
2020	2,099,163	1,579,084	1,221,794	4,900,041
2021	881,371	1,132,702	552,290	2,566,363
2022	(2,176,830)	11,718	(370,444)	(2,535,556)
2023	-	403,384	-	403,384
Total	$ 1,046,748	$ 4,025,610	$ 1,756,587	$ 6,828,945

PAYABLE TO THE PENSION PLAN

At June 30, 2018, the District reported a receivable from the ATU and IBEW Plans of $327,866 and $56,407, respectively. At June 30, 2018 the District reported a payable to the Salaried Plan of $75,846. The receivables and payable to and 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

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description - The District's defined benefit OPEB plan provides OPEB under provisions of District 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 established an IRC Section 115 irrevocable trust under the California Employers' Retiree Benefit Trust Program (CERBT) for the purpose of (i) receiving employer contributions to prefund OPEB 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 OPEB in accordance with the terms of the District's plan. The funds in the CERBT are 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.

Benefits Provided - The District provides medical care benefits for active and retired members of AEA, AFSCME, MCEG, ATU, and IBEW. The District also provides dental care and 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 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.

Employees Covered by Benefit Terms - At June 30, 2018 the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	342
Terminated members entitled to but not yet collecting benefits	337
Current active members	1,009
	1,688

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Contributions - The obligation of the District to contribute to the plan is established by the Board of Directors. The District currently prefunds the OPEB plan at 100% of the actuarially determined contribution. For the year ended June 30, 2018, the District's average contribution rate was 4.61 percent of covered-employee payroll. Employees are not required to contribute to the plan.

NET OPEB LIABILITY

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined an actuarial valuation dated July 1, 2017.

Actuarial Assumptions - The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

General Inflation Rate	2.75 percent
Wage Inflation	3.0 percent
Salary increases	3.25 percent
Investment rate of return	7.0 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Medical: 7.0 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 4.5% for 2025 and later years Dental and required PEMHCA minimum employer contribution: 4.5% per year

Mortality rates were based on the MacLeod Watts Scale 2017 which was developed by the District's actuary from a blending of data and methodologies found in two published sources: (i) the Society of Actuaries Mortality Improvement Scale MP-2016 Report, published in October 2016 and (ii) the demographic assumptions used in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published June 2016.

Demographic actuarial assumptions used in the July 1, 2017 valuation were based on the July 1, 2015 valuations of the retirement plans covering District employees and are based on the 2016 actuarial experience study of the District's retirement plans using data from 2011 to 2015, except for a different basis (MacLeod Watts Scale 2017) used to project future mortality improvements.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of exected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combind to produce the long-term expected rate of return

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 geometric real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Global Equity	57%	5.71%
Fixed Income	27%	2.40%
REITs	8%	7.88%
Treasury Inflation Protected Securities	5%	2.25%
Commodities	3%	4.95%
	100%	

* Based on 2014 Capital Market Assumptions per CalPERS CERBT Program

Discount Rate – The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CHANGES IN THE NET OPEB LIABILITY

	Increase (Decreases)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a) - (b)**
Balances at 6/30/2017	$ 45,561,772	$ 20,507,946	$ 25,053,826
Changes for the year:			
Service cost	1,459,848	-	1,459,848
Interest	3,196,439	-	3,196,439
Differences between expected and actual experience	-	756,069	(756,069)
Contributions - employer	-	5,817,444	(5,817,444)
Net Investment Income	-	1,543,690	(1,543,690)
Benefit payments	(2,716,420)	(2,716,420)	-
Administrative expense	-	(11,457)	11,457
Net Changes	1,939,867	5,389,326	(3,449,459)
Balances at 6/30/2018	$ 47,501,639	$ 25,897,272	$ 21,604,367

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the District, as well as what the Districts net OPEB liability would be if it were calculated used a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	1% Decrease 6.0%	Discount Rate 7.0%	1% Increase 8.0%
Net OPEB liability	$ 27,301,620	$ 21,604,367	$ 16,816,658

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability of the District, as well as what the Districts net OPEB liability would be if it were calculated used a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	Current Trend -1.0%	Current Trend 7.5% Medical / 4.5% Dental	Current Trend +1.0%
Net OPEB liability	$ 16,384,787	$ 21,604,367	$ 28,246,584

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPEB financial statements that 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.

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $2,972,841. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB Plan Investments	$ -	$ 604,856
Contributions Made Subsequent to the measurement date	3,182,371	-
	$ 3,182,371	$ 604,856

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30		Net Deferred Outflows (Inflows) of Resources
2019	$	(151,213)
2020		(151,213)
2021		(151,213)
2022		(151,217)
Total	$	(604,856)

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, 2018:

	Self-insurance	Excess Coverage
Type of Coverage	Commercial Insurance Coverage (per occurrence)	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 $3,000,000	$3,000,000 to $292,000,000
Light Rail	Up to $3,000,000	$3,000,000 to $292,000,000
*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 $17,992,627 reported at June 30, 2018, 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, 2018, 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 $3,170,637 at June 30, 2018. The Workers' Compensation liability is not discounted.

These claim estimates are actuarially determined and based on the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the District's claims liability amount during the fiscal years ended June 30, 2018 and 2017, 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, 2018	$ 22,497,838	$ 6,596,226	$ (11,101,437)	$ 17,992,627
June 30, 2017	$ 19,871,339	$ 6,338,724	$ (3,712,225)	$ 22,497,838

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 $21,719,019 at June 30, 2018. Federal, state, and local grant funds have been approved for such construction.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

ATU Plan

	2018
Total pension liability	
Service cost	$ 4,835,944
Interest	12,885,195
Changes of benefit terms	(11,268)
Difference between expected and actual returns	(5,577,742)
Benefit payments, including refunds of member contributions	(10,776,986)
Net change in total pension liability	1,355,143
Total pension liability - beginning	172,006,419
Total pension liability - ending	$ 173,361,562
Plan fiduciary net position	
Contributions - employer	$ 7,987,367
Contributions - member	168,463
Net investment income	14,419,708
Benefit payments, including refunds of member contributions	(10,776,986)
Administrative expense	(306,539)
Net change in plan fiduciary net position	11,492,013
Plan fiduciary net position - beginning	119,096,442
Plan fiduciary net position - ending	$ 130,588,455
Net pension liability - beginning	52,909,977
Net pension liability - ending	$ 42,773,107
Plan fiduciary net position as a percentage of the total pension liability	75.33%
Covered payroll	$ 30,212,311
Net pension liability as a percentage of covered payroll	141.58%

Notes to Schedule:
Payroll amounts are based on actual pensionable compensation from the employer.

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. FY2018: the ATU and IBEW Plans were separated as of 7/1/16; previous years not available.

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

IBEW Plan

		2018
Total pension liability		
Service cost	$	1,640,651
Interest		4,742,855
Changes of benefit terms		(105,379)
Difference between expected and actual returns		2,420,299
Benefit payments, including refunds of member contributions		(3,281,167)
Net change in total pension liability		5,417,259
Total pension liability - beginning		66,756,502
Total pension liability - ending	$	72,173,761
Plan fiduciary net position		
Contributions - employer	$	3,315,379
Contributions - member		39,287
Net investment income		5,332,230
Benefit payments, including refunds of member contributions		(3,281,167)
Administrative expense		(239,188)
Net change in plan fiduciary net position		5,166,541
Plan fiduciary net position - beginning		48,918,578
Plan fiduciary net position - ending	$	54,085,119
Net pension liability - beginning		17,837,924
Net pension liability - ending	$	18,088,642
Plan fiduciary net position as a percentage of the total pension liability		74.94%
Covered payroll	$	12,473,480
Net pension liability as a percentage of covered		

Notes to Schedule:
Payroll amounts are based on actual pensionable compensation from the employer.

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. FY2018: the ATU and IBEW Plans were separated as of 7/1/16; previous years not available.

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. ATU and IBEW are reported as stand-alone plans beginning 7/1/16.

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

SALARIED PLAN

	2018	2017	2016	2015
Total pension liability				
Service cost	$ 3,873,148	$ 3,594,919	$ 3,476,103	$ 3,321,337
Transfers In - ATU plan	-	-	-	174,166
Changes in benefits	(298,430)			
Interest (includes interest on service cost)	8,960,042	8,807,953	8,434,365	7,978,675
Difference between expected and actual returns	2,062,482	(852,040)	(753,076)	-
Changes of assumptions	-	(680,161)	930,863	-
Benefit payments, including refunds of member contributions	(7,179,362)	(6,190,981)	(5,502,144)	(5,664,400)
Net change in total pension liability	7,417,880	4,679,690	6,586,111	5,809,778
Total pension liability - beginning	121,090,442	116,410,752	109,824,641	104,014,863
Total pension liability - ending	$ 128,508,322	$ 121,090,442	$ 116,410,752	$ 109,824,641
Plan fiduciary net position				
Contributions - employer	$ 7,321,138	$ 7,576,866	$ 7,335,308	$ 6,609,083
Contributions - member	53,706	21,014	261	1,678
Transfers In - ATU plan	-	-	-	174,166
Net investment income	9,388,876	(396,556)	2,132,136	9,297,644
Benefit payments, including refunds of member contributions	(7,179,362)	(6,190,981)	(5,502,144)	(5,664,400)
Administrative expense	(289,067)	(269,624)	(194,209)	(176,367)
Net change in plan fiduciary net position	9,295,291	740,719	3,771,352	10,241,804
Plan fiduciary net position - beginning	75,337,019	74,596,300	70,824,948	60,583,144
Plan fiduciary net position - ending	$ 84,632,310	$ 75,337,019	$ 74,596,300	$ 70,824,948
Net pension liability - beginning	45,753,423	41,814,452	38,999,693	43,431,719
Net pension liability - ending	$ 43,876,012	$ 45,753,423	$ 41,814,452	$ 38,999,693
Plan fiduciary net position as a percentage of the total pension liability	65.99%	62.22%	64.08%	64.49%
Covered payroll	$ 24,341,878	$ 23,022,281	$ 22,008,809	$ 19,626,841
Net pension liability as a percentage of covered employee payroll	179.54%	187.96%	181.63%	177.20%

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 PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS

EMPLOYEES WHO ARE MEMBERS OF ATU Plan (Dollar amounts in thousands)

	2018	2017
Actuarially determined contribution	$ 7,863	$ 7,987
Contributions in relation to the actuarially determined contribution	7,863	7,987
Contribution deficiency (excess)	$ -	$ -
Covered payroll	31,575	30,212
Contributions as a percentage of covered payroll	24.90%	26.44%

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	7/1/2016 (to determine FY17-18 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 16 year period as of 7/1/2016
Asset valuation method	5-year smoothed market
Discount Rate	7.50%
Amortization growth rate	3.15%
Price inflation	3.15%
Salary Increases	3.15%, plus merit component on employee classification and years of service
Mortality	RP 2014 w/ Scale MP-2015, base tables adjusted 115% for males and 130% for females

Other information:
A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2018, can be found in the July 1, 2016 actuarial valuation report. The financial reporting for the ATU and IBEW Plans' was split during FY2017, previous years information for the ATU Plan is not available.

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

EMPLOYEES WHO ARE MEMBERS OF IBEW Plan
(Dollar amounts in thousands)

	2018	2017
Actuarially determined contribution	$ 3,196	$ 3,315
Contributions in relation to the actuarially determined contribution	3,196	3,315
Contribution deficiency (excess)	$ -	$ -
Covered payroll	13,138	12,474
Contributions as a percentage of covered payroll	24.33%	26.58%

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	7/1/2016 (to determine FY17-18 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 16 year period as of 7/1/2016
Asset valuation method	5-year smoothed market
Discount Rate	7.50%
Amortization growth rate	3.15%
Price inflation	3.15%
Salary Increases	3.15%, plus merit component on employee classification and years of service
Mortality	RP 2014 w/ Scale MP-2015, base tables adjusted 115% for males and 130% for females

Other information:
A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2018, can be found in the July 1, 2016 actuarial valuation report. The financial reporting for the ATU and IBEW Plans' was split during FY2017, previous years information for the IBEW Plan is not available.

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

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 10,447	$ 10,343	$ 9,711	$ 8,694	$ 7,885	$ 6,809	$ 7,426	$ 6,970	$ 7,681	$ 7,088
Contributions in relation to the actuarially determined contribution	10,447	10,343	9,711	8,694	7,885	6,809	7,426	6,970	7,681	7,088
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered 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	7/1/2014 (to determine FY15-16 contribution)
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year

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

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed 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, 2016, can be found in the July 1, 2014 actuarial valuation report. ATU and IBEW are reported as stand-alone plans beginning 7/1/16.

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

SALARIED PLAN
(Dollar amounts in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 7,669	$ 7,321	$ 7,577	$ 7,335	$ 6,609	$ 5,800	$ 4,580	$ 3,718	$ 4,269	$ 3,820
Contributions in relation to the actuarially determined contribution	7,669	7,321	7,577	7,335	6,609	5,800	4,580	3,718	4,269	3,820
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 24,284	$ 24,342	$ 23,022	$ 22,009	$ 19,627	$ 19,105	$ 19,466	$ 22,602	$ 21,115	$ 21,929
Contributions as a percentage of covered payroll	31.58%	30.08%	32.91%	33.33%	33.67%	30.36%	23.53%	16.45%	20.22%	17.42%

Note: Beginning in FYE2015, payroll amounts are based on actual total payroll of the District. In previous years the schedule used 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	7/1/2016 (to determine FY17-18 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 16 year period as of 6/30/2016
Asset valuation method	5-year smoothed market
Discount Rate	7.50%
Amortization growth rate	3.15%
Price inflation	3.15%
Salary Increases	3.15%, plus merit component on employee classification and years of service
Mortality	RP 2014 w/ Scale MP-2015, base tables adjusted 130% for females

Other information:
A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2018, can be found in the July 1, 2016 actuarial valuation report.
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SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	2018
Total OPEB liability	
Service cost	$ 1,459,848
Interest	3,196,439
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(2,716,420)
Net change in total OPEB liability	1,939,867
Total OPEB liability - beginning	45,561,772
Total OPEB liability - ending	$ 47,501,639
Plan fiduciary net position	
Contributions - employer	$ 5,817,444
Net investment income	2,299,759
Benefit payments	(2,716,420)
Administrative expense	(11,457)
Net change in plan fiduciary net position	5,389,326
Plan fiduciary net position - beginning	20,507,946
Plan fiduciary net position - ending	$ 25,897,272
Net OPEB liability - beginning	$ 25,053,826
Net OPEB liability - ending	$ 21,604,367
Plan fiduciary net position as a percentage of the total OPEB liability	54.52%
Covered employee payroll	$ 67,347,993
Net OPEB liability as a percentage of covered employee payroll	32.08%

Notes to Schedule:

Benefit changes – There were no substantial changes to the benefits in FY2018.
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.

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

(Dollar amounts in thousands)

	2018
Actuarially determined contribution	$ 3,179
Contributions in relation to the actuarially determined contribution	3,182
Contribution deficiency (excess)	$ (3)
Covered employee payroll	$ 68,997
Contributions as a percentage of covered employee payroll	4.61%

Note: This schedule uses covered employee 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	7/1/2017 (to determine FY17-18 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
Asset valuation method	Market value of assets
Discount Rate	7.00%
Amortization growth rate	3.00%
Price inflation	2.75%
Salary Increases	3.25%
Mortality	Sex distinct RP-2014 Mortality Tables (Blue Collar adjustments for Union participants) , 3 year setback for females; except for the application of Bickmore Scale 2017 on a fully generational basis from 2014 forward to project future mortality improvements

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

CONTENTS **Page**

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year. The District implemented GASB Statements No. 63 and 65 in the fiscal year ended June 30, 2013, GASB Statement No. 68 in the fiscal year ended June 30, 2015 and GASB Statement No. 75 in the fiscal year ended June 30, 2018. 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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Position										
Net Investment in Capital Assets	$ 771,045	$ 770,304	$ 778,152	$ 787,711	$ 799,650	$ 798,019	$ 864,160	$ 878,849	$ 889,347	$ 852,174
Restricted for:										
Capital Projects	2,580	1,841	1,840	4,474	2,845	1,211	1,751	-	-	-
Debt Service	-	-	-	-	2,278	2,279	1,829	1,831	-	3,484
Unrestricted	1,446	(2,093)	(4,287)	(526)	1,689	31,723	(48,259) [1]	(50,474)	(48,012)	(61,136)
Total Net Position	$ 775,071	$ 770,052	$ 775,705	$ 791,659	$ 806,462	$ 833,232	$ 819,481	$ 830,206	$ 841,335	$ 794,522

[1] The fiscal year 2015 decrease is due to the implementation of GASB Statement No. 68 which reduced net position by $82,455,095 offset by an increase in net position of $68,704,438 that is primarily the result of capital contributions of the District South Line Phase 2 extension project and the delivery of 30 new Gillig 40’ buses

Source: Comprehensive Annual Financial Report

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Revenues										
Fares	$ 32,571	$ 30,864	$ 28,967	$ 28,964	$ 29,759	$ 29,157	$ 28,396	$ 28,056	$ 30,487	$ 27,276
Operating Expenses										
Labor and Fringe Benefits	91,580	91,203	79,366	82,209	88,064	94,755	93,182	99,692	108,886	110,545
Professional and Other Services	26,584	24,797	20,720	21,417	24,996	26,130	27,533	29,332	30,342	27,119
Spare Parts and Supplies	12,950	11,044	8,524	9,785	10,517	11,996	10,549	8,526	11,996	10,841
Utilities	5,545	5,531	5,741	5,587	5,639	5,646	5,816	6,288	6,619	6,995
Casualty and Liability Costs	7,104	2,286	6,540	6,353	7,910	8,343	7,906	7,160	9,317	9,300
Depreciation	30,699	30,870	31,238	31,392	31,380	33,982	34,128	39,925	43,959	43,126
Indirect Costs Allocated to Capital Programs	(2,172)	(863)	(881)	(824)	(763)	(887)	(1,204)	(1,038)	(538)	(459)
Other	1,680	1,402	1,547	1,492	1,396	1,460	1,541	1,434	1,702	2,355
Total Operating Expenses	173,970	166,270	152,795	157,411	169,139	181,425	179,451	191,319	212,283	209,821
Operating Loss	(141,399)	(135,406)	(123,828)	(128,447)	(139,380)	(152,268)	(151,055)	(163,263)	(181,796)	(182,545)
Non-Operating Revenues (Expenses)										
Operating Assistance:										
State and Local	70,725	58,135	58,109	69,132	72,723	78,318	80,350	81,518	86,911	93,339
Federal	30,788	34,552	27,374	28,670	31,007	32,620	32,764	36,156	35,611	41,746
Investment Income	8,911	6,439	4,113	2,456	1,755	1,941	1,996	2,129	2,124	2,223
Interest Expense	(9,154)	(6,792)	(4,401)	(2,722)	(2,522)	(3,223)	(2,982)	(3,675)	(2,353)	(2,707)
Pass Through to Subrecipients	(478)	(3,638)	(4,043)	(4,216)	(1,672)	(3,401)	(2,933)	(2,030)	(1,075)	(4,645)
Professional and Other Services-Funded	-	-	-	-	-	-	-	-	(6,162)	(7,325)
Contract Services	4,311	4,599	4,362	5,245	5,607	5,530	5,810	6,110	6,260	6,420
Other	3,304	2,758	3,946	2,485	3,414	2,863	4,193	5,325	4,353	4,981
Total Non-Operating Revenues	108,407	96,053	89,460	101,050	110,312	114,648	119,198	125,533	125,669	134,033
Loss Before Capital Contributions	(32,992)	(39,353)	(34,368)	(27,397)	(29,068)	(37,620)	(31,857)	(37,730)	(56,127)	(48,512)
Capital Contributions										
State and Local	42,441	29,381	36,482	33,474	34,389	15,878	25,635	18,376	18,376	16,804
Federal	8,985	4,955	3,538	10,016	9,331	48,512	74,926	30,078	30,078	4,133
Increase (Decrease) in Net Position before Special Item	18,433	(5,019)	5,653	16,092	14,650	26,769	68,704	10,724	10,724	(27,577)
Extraordinary (Loss) Gain on Early Extinguishment of Debt	-	-	-	-	155	-	-	-	-	-
Special Items	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Position after Special and Extraordinary Items	$ 18,433	$(5,019)	$ 5,653	$ 16,092	$ 14,805	$ 26,769	$ 68,704	$ 10,724	$ 10,724	$(27,577)

Source: Comprehensive Annual Financial Report

Operating Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Farebox	Fare Prepayment/ Outlet Sales	Special/ Contracted	Other	Total
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
2018	9,826,478	14,243,595	3,193,550	12,608	27,276,231

Source: Comprehensive Annual Financial Report

Principal Fare Revenue Payers
Current Year and Nine Years Ago

Customers	Fiscal Year 2018 Sales Amount	Fiscal Year 2018 Sales %	Fiscal Year 2009 Sales Amount	Fiscal Year 2009 Sales %
Los Rios Community College District	$ 2,306,659	8.46%	$ 1,098,903	3.37%
Department of Human Assistance	2,157,700	7.91%	2,018,975	6.20%
Department of Child, Family and Adult Services	919,632	3.37%	1,253,438	3.85%
California State University Sacramento	822,387	3.02%		
Franchise Tax Board	820,408	3.01%	865,996	2.66%
Employment Development Department	685,780	2.51%	927,833	2.85%
County of Sacramento	530,200	1.94%		
California Department of Tax	486,200	1.78%		
Alta California Regional Center	423,000	1.55%	918,020	2.82%
Department of Motor Vehicles	361,433	1.33%	567,356	1.74%
Raley's Family of Fine Stores			1,364,998	4.19%
Department of Transportation			1,124,453	3.45%
California Environmental Protection Agency			913,923	2.81%
Subtotal (10 Largest)	9,513,399	34.88%	11,053,895	33.94%
Balance from other customers	17,762,832	65.12%	21,517,564	66.06%
Grand Total	$ 27,276,231	100.00%	$ 32,571,459	100.00%

Grand Total Source: Comprehensive Annual Financial Report

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Farebox Revenue Bonds Series 2012	Lease/ Leaseback Payable	Certificates of Participation 2003	Loan Payable	Total Debt	Six-County Region Percentage of Personal Income	Six-County Region Per Capita
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%	27.84
2012	-	35,482,912	5,942,622	8,230,039	49,655,573	0.01%	21.03
2013	95,000,484	33,351,437	-	8,642,509	136,994,430	0.09%	57.50
2014	92,006,633	35,062,503	-	13,988,074	141,057,210	0.08%	58.54
2015	88,927,782	36,861,364	-	13,988,074	139,777,220	0.07%	57.34
2016	87,113,931	38,752,526	-	13,988,074	139,854,531	0.07%	56.66
2017	51,017,296	40,740,724	-	13,988,074	105,746,094	Not available	42.76
2018	50,841,764	42,830,939	-	13,988,074	107,660,777	Not available	43.05

Source: Comprehensive Annual Financial Report

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Fare Revenue	Non-Fare Revenues	Total Revenue	Less Operating Expense	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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
2018	27,276,231	141,379,634	168,655,865	159,444,596	9,211,269	175,532	-	52.48

Notes: Details regarding the District’s debt can be found in the notes to the financial statements. Operating expenses do not include depreciation and capital funded expenses.

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

Capital revenue has been excluded from this schedule.

Demographic and Economic Indicators
Last Ten Fiscal Years

	Population 1,2		Personal Income 1,2 (In Thousands)		Per Capital Personal [1] Income		Unemployment Rate [3]	
	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region
2009	1,408,601	2,298,630	53,826,177	91,656,582	38,213	39,874	11.0%	11.2%
2010	1,422,018	2,321,679	54,666,004	93,469,366	38,443	40,259	12.6%	12.7%
2011	1,435,002	2,341,977	57,498,308	98,692,407	40,068	42,141	12.1%	12.2%
2012	1,447,236	2,361,004	59,775,785	102,890,880	41,303	43,579	10.5%	10.7%
2013	1,460,023	2,382,604	61,654,690	106,063,477	42,229	44,516	8.9%	9.0%
2014	1,478,137	2,409,403	65,486,553	112,451,035	44,303	46,672	7.3%	7.4%
2015	1,496,644	2,437,865	70,110,138	120,170,620	46,845	49,293	6.0%	6.1%
2016	1,514,460	2,468,344	72,878,458	124,931,947	48,122	50,614	5.4%	5.5%
2017	1,513,415	2,473,048	Not available	Not available	Not available	Not available	4.6%	4.8%
2018	1,529,501	2,500,667	Not available	Not available	Not available	Not available	3.9%	4.1%

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

1. 2008-2016 U.S. Department of Commerce, Bureau of Economic Analysis, *CA1-3 Personal income population, per capital personal income.*
2. 2017-2018 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 2018			Fiscal Year 2009		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of California	75,081	1	11.15%	73,273	1	10.60%
UC Davis Health	12,840	2	1.91%	8,496	3	1.23%
Sacramento County	12,208	3	1.81%	13,304	2	1.92%
Kaiser Permanente	11,005	4	1.63%	7,979	4	1.15%
U.S. Government	10,325	5	1.53%			
Sutter Health	8,177	6	1.21%	7,314	5	1.06%
Dignity Health	7,000	7	1.04%	5,922	9	0.86%
Elk Grove Unified School District	6,210	8	0.92%	6,391	7	0.92%
Intel Corporation	6,000	9	0.89%	6,000	8	0.87%
Apple Inc.	5,000	10	0.74%			
Sacramento City Unified School District				6,500	6	0.94%
San Juan Unified School District				5,190	10	0.75%
Total	153,846		22.84%	140,369		20.30%

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 2018 CAFR Page No.	FY 2018 Adopted Budget Page No.
Management Discussion and Analysis, Audited Financial Statements and Statistical Information	3-97	
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)	91-94	
Historical Operating Results	6,80,81	
Farebox Recovery Ratios (ii)	45,91	
Historical Nonoperating Revenues – 10 year funds (iii)	89,90	
Measure A Sales Tax Funding Trends (iv)	43,90	
LTF Revenues claimed and expended by the District (v)	43,90	
STA Funds Claimed and Utilized by the District (vi)	43,90	
Federal Grant Funds Utilized by the District (v)	42,89	
Adopted Operating Budget (vi)		15,16
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 2018 CAFR Page No.
Punctual Payments	43	40
Application of Farebox Revenues	44	14

DISTRICT PROFILE
As of June 30, 2018

Date the Authority began Operations	April 1, 1973
Form of Governance	Board of Directors, with General Manager
Metropolitan Population	1.4 million
Total Employees	997
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	70
Number of Rail Lines	3
Miles of Rail	42.9
Weekday Bus Revenue Service Miles	21,198
Weekday Rail Revenue Service Miles	14,98
Average Weekday Bus and Rail Riders	73,318
Number of Vehicles in Service	225 CNG Buses 97 Rail Vehicles 33 Shuttle Vans
Paratransit	101 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
2009	$ 18,598,565	$ 4,797,633	$ 451,440	$ 6,930,000	$ 7,162,647	$ -	$ -	$ 8,000,000	$ -
2010	22,214,778	4,638,430	-	38,000,000	3,593,021	-	-	8,146,312	-
2011	18,893,200	5,582,436	-	-	1,450,783	-	-	1,616,250	-
2012	19,787,623	6,003,331	5,000,000	-	2,875,497	-	-	808,590	-
2013	20,687,210	-	-	40,000,000	164,891	-	8,872,128	2,814,815	364,001
2014	20,420,103	-	-	45,660,000	663,603	-	9,764,225	3,034,209	241,696
2015	21,159,005	-	-	-	10,345,160	1,792,567	10,239,772	-	171,557
2016	34,542,554	-	-	-	3,060,284	1,858,949	11,499,470	-	35,193
2017	25,131,975	-	-	-	3,154,867	745,539	11,580,302	-	68,161
2018	24,458,274	-	-	-	1,479,789	2,544,715	13,804,359	-	101,912

Federal Funds

Section 5307 Funds: Funds distributed by formula to large and small urban areas for a variety of transit planning, capital and preventive maintenance needs.
Section 5309 Fixed Guideway Funds: Funds distributed by formula to urban rail transit operators for repair and rehabilitation of commuter and light rail systems.

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

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

Section 5316 Jobs Access & Reverse Commute (JARC): Funds for operating new service that provides increased access to job opportunities, either through new service routes or expansions of existing routes into non-traditional service hours.

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

Federal Highway Discretionary Funds: Funds distributed for a variety of transportation planning, construction, and equipment acquisition needs. Projects are approved for funding by local agencies and forwarded to appropriate state and federal agencies for funding authorization.

Section 5339 Bus and Facilities Funds: A portion of the funds distributed by formula and a portion of the funds are distributed through a competitive process. Funds are used for bus renovations, purchases and bus support facility projects.

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

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

TEN YEAR FUNDING HISTORY (Continued)

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

	STATE FUNDS		LOCAL FUNDS			
	State Transportation Improvement Program	Other	Measure A	Local Transportation Fund	State Transit Assistance	Other
2009	$ -	$ 29,331,935	$ 43,303,498	$ 33,056,759	$ 4,908,090	$ 2,565,733
2010	-	12,104,730	43,383,451	24,698,724	5,757,829	1,570,844
2011	10,128,000	9,647,270	50,898,736	27,382,646	5,304,891	1,357,192
2012	-	14,304,061	43,336,777	33,554,746	9,596,963	1,813,196
2013	-	29,026,829	36,316,894	30,043,310	9,752,972	1,971,931
2014	-	15,649,388	34,063,375	34,608,256	9,787,039	87,174
2015	-	22,299,682	36,889,447	36,098,557	8,869,049	1,828,749
2016	-	16,609,064	37,244,297	36,950,479	7,049,646	2,040,730
2017	-	60,002,351	39,263,496	38,731,878	7,156,739	(3,556,168)
2018	-	15,111,684	41,460,448	40,966,707	12,603,839	10,110,006

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 FY2000 State Budget for specific District capital projects, Proposition 1B funds approved for funding in FY2007, and Cap-and-Trade Program funds.

Local Funds

Measure A is a ½ cent sales tax ordinance that supports road and public transportation improvements in Sacramento County. Passed by voters in 1998, it expired in April 2009. The District received approximately 1/3 of the tax (1/6 cent). In November 2004, voters approved an extension of the Measure A ordinance until 2039 with transit receiving 38.25% of the ½-cent tax.

Local Transportation Fund: Funds generated by the state sales tax, and used for transit operating support purposes. The Transportation Development Act (TDA) allocates a portion of the state sales tax for transportation purposes.

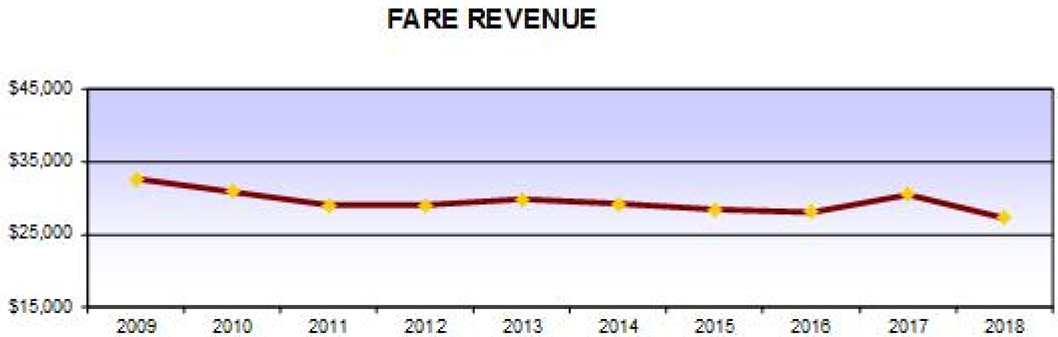
State Transit Assistance Funds: Funds generated by the sales tax on gasoline and diesel fuel sales. These funds are disbursed to transit agencies for a variety of transit capital and operating support needs. SB1 funds, the Road Repair and Accountability Act of 2017, are included in STA funds beginning FY2018.

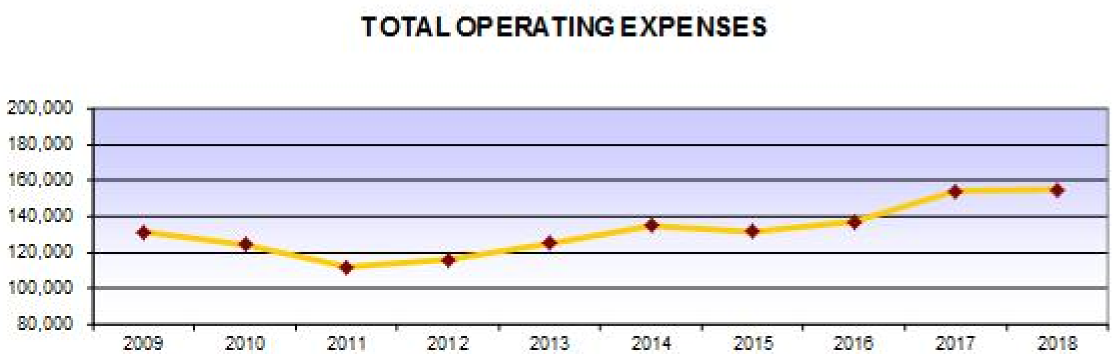
Other: This funding is from City of Sacramento, City of Rancho Cordova, County of Sacramento, City of Roseville, Sacramento Area Council of Governments (SACOG) and Sacramento Housing, Redevelopment Agency (SHRA), Bus Fire Insurance Proceeds, and cost reimbursement agreements with local agencies.

FARE RECOVERY
LAST TEN FISCAL YEARS

(amounts expressed in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fare Revenue	$32,571	$30,864	$28,967	$28,964	$29,759	$29,156	$28,396	$28,056	$30,487	$27,276
Local Fund Supplementation	912	818	-	535	2,201	5,322	5,208	3,436	4,948	8,321
Total Operating Expenses	131,306	124,242	111,946	115,684	125,332	135,094	131,779	136,920	154,067	154,770
Fare Recovery Ratio	25.5%	25.5%	25.9%	25.5%	25.5%	25.5%	25.5%	23.0%	23.0%	23.0%



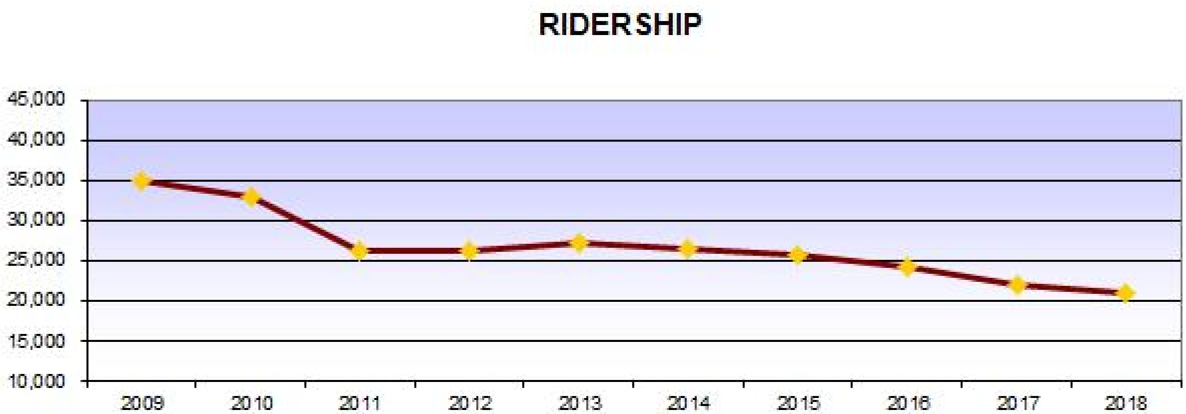


Notes: Operating expenses do not include depreciation and Paratransit operations.

Source: Comprehensive Annual Financial Report

RIDERSHIP
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Ridership	35,050	33,060	26,161	26,338	27,298	26,368	25,768	24,330	22,050	20,890
% change	6.37%	(5.68%)	(20.87%)	0.68%	3.64%	(3.41%)	(2.28%)	(5.58%)	(9.37%)	(5.26%)



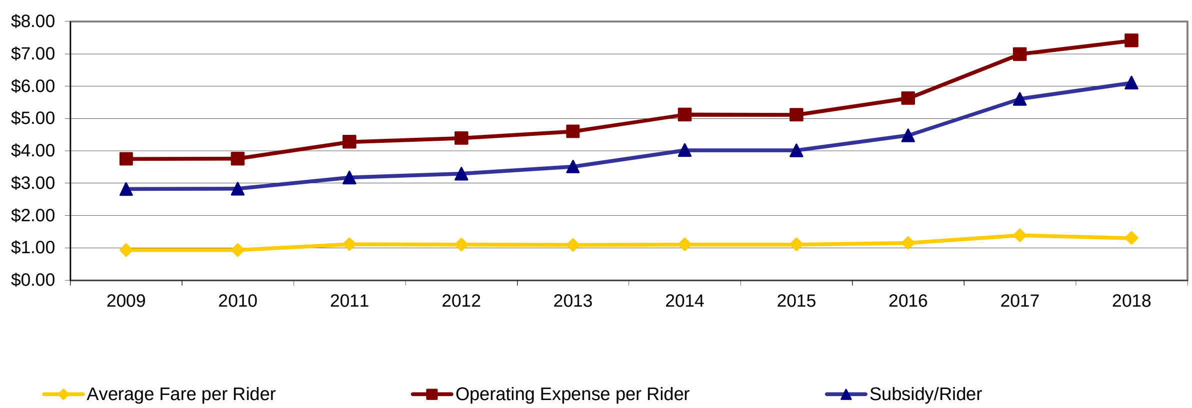
Source: District Planning Department
NTD Statistics

OPERATING SUBSIDY
LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Average Fare per Rider	$0.93	$0.93	$1.11	$1.10	$1.09	$1.11	$1.10	$1.15	$1.38	$1.31
Operating Expense per Rider [1]	$3.75	$3.76	$4.28	$4.39	$4.60	$5.12	$5.11	$5.63	$6.99	$7.41
Subsidy/Rider	$2.82	$2.83	$3.17	$3.29	$3.51	$4.02	$4.01	$4.47	$5.60	$6.10

[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

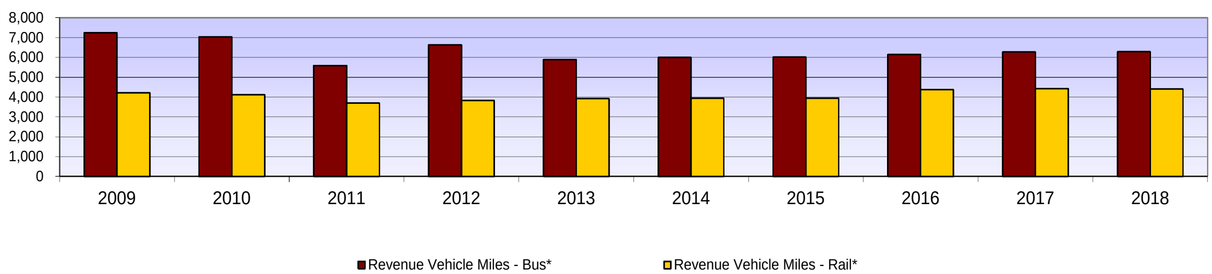
SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

SERVICE PROVIDED

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
BUS										
Revenue Vehicle Miles - Bus*	7,244	7,032	5,590	6,632	5,893	6,002	6,023	6,152	6,269	6,288
Revenue Vehicle Hours*	652.0	628.2	501.2	506.0	532.0	548.0	549.8	558.0	558.5	559.2
# Vehicles	271	233	229	229	232	232	232	223	223	225
RAIL										
Revenue Vehicle Miles - Rail*	4,213	4,120	3,697	3,823	3,921	3,947	3,936	4,370	4,422	4,418
Revenue Vehicle Hours*	213.1	208.6	191.1	203.3	217.2	218.6	218.1	245.2	248.9	248.7
Train Revenue Hours*	81.7	81.4	69.3	70.0	82.0	83.2	83.2	93.0	94.9	94.7
# of Vehicles	76	76	76	76	76	76	76	87	96	97

SERVICE PROVIDED



SERVICE CONSUMED

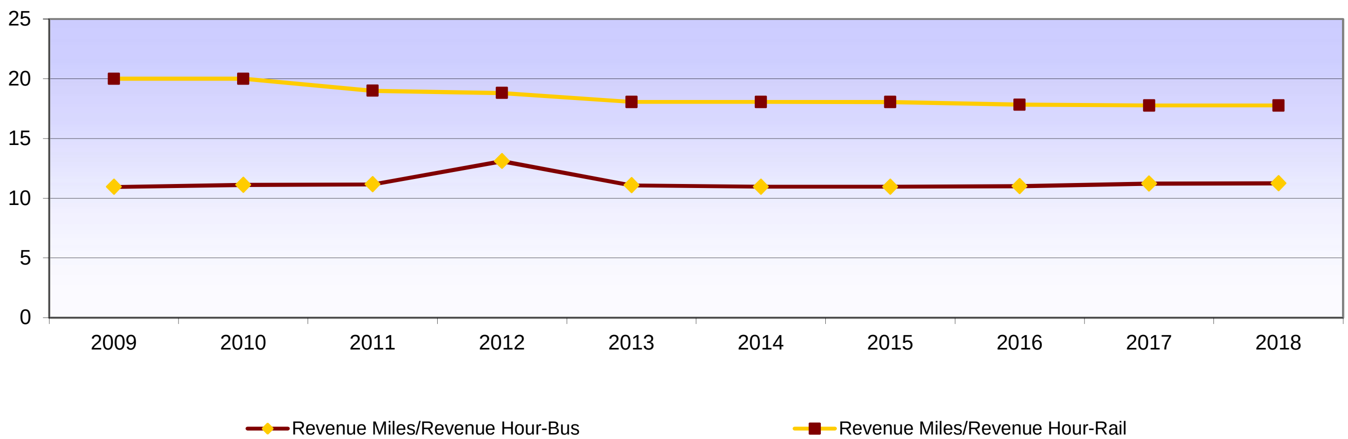
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
BUS										
Passengers*	17,735	17,579	13,617	13,146	13,784	13,658	13,706	12,114	10,608	10,517
Passenger Miles*	59,001	61,417	47,525	46,521	49,440	53,133	52,346	43,911	39,468	37,925
RAIL										
Passengers*	17,315	15,481	12,544	13,192	13,513	12,710	12,062	12,216	11,442	10,373
Passenger Miles*	93,087	83,409	72,860	74,706	75,797	74,580	68,717	69,171	68,760	65,531
TOTAL										
Passengers*	35,050	33,060	26,161	26,338	27,298	26,368	25,768	24,330	22,050	20,890
Passenger Miles*	152,088	144,826	120,385	121,227	125,237	127,713	121,063	113,082	108,228	103,456
FLEET										
Bus	271	233	229	229	232	232	232	223	223	225
Rail	76	76	76	76	76	76	76	87	96	97
TOTAL EMPLOYEES	1,087	907	901	901	940	933	937	982	974	997

Source: District Planning Department; NTD Statistics

SERVICE PERFORMANCE DATA (Continued)
LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue Miles/Revenue Hour-Bus	11	11	11	13	11	11	11	11	11	11
Revenue Miles/Revenue Hour-Rail	20	20	19	19	18	18	18	18	18	18

SERVICE PERFORMANCE DATA



Source: District Planning Department; NTD Statistics

FARES
As of June 30, 2018

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 Monthly Sticker	$ 20.00
Student Semi-Monthly Sticker	$ 10.00
Yolo Express Sticker*	$ 25.00

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

PERFORMANCE MEASURES

Performance Measures in Sacramento's Peer Transit Agencies

City, State	2010 Urban Area Population		2016 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)	$ 6.55	(4)	$ 12.98	(6)	$ 142.98	(6)	$ 5.34	(4)	18.5%	(4)
Los Angeles, CA	12,150,996	(2)	3.41	(5)	14.38	(5)	153.73	(5)	2.61	(5)	23.5%	(3)
Oakland, CA	3,281,212	(13)	6.84	(3)	19.37	(2)	206.41	(2)	5.59	(3)	18.3%	(5)
San Carlos, CA	3,281,212	(13)	8.57	(1)	16.88	(3)	209.09	(1)	7.26	(1)	15.3%	(6)
San Diego, CA	2,956,746	(15)	2.97	(7)	7.83	(7)	85.33	(7)	1.95	(7)	34.4%	(1)
San Francisco, CA	3,281,212	(13)	3.06	(6)	23.07	(1)	186.54	(3)	2.28	(6)	25.4%	(2)
San Jose, CA	1,664,496	(29)	7.50	(2)	15.57	(4)	180.58	(4)	6.63	(2)	11.6%	(7)
Average for Bus Peers	4,048,501		5.56		15.73		166.38		4.52		21.0%	
RAIL PEERS												
Sacramento, CA	1,723,634	(28)	4.91	(3)	9.81	(4)	244.42	(4)	3.81	(3)	22.4%	(2)
Los Angeles, CA	12,150,996	(2)	5.13	(2)	23.15	(3)	479.94	(1)	4.36	(2)	15.0%	(4)
San Diego, CA	2,956,746	(15)	1.91	(5)	8.71	(5)	153.27	(5)	0.87	(5)	54.4%	(1)
San Francisco, CA	3,281,212	(13)	4.11	(4)	41.46	(1)	395.57	(3)	3.33	(4)	18.9%	(3)
San Jose, CA	1,664,496	(29)	8.62	(1)	26.63	(2)	423.09	(2)	7.74	(1)	10.2%	(5)
Average for Rail Peers	4,355,417		4.94		21.95		339.26		4.02		24.2%	

Source: National Transit Database, 2016 Transit Profiles - All Agencies

In 2016 the Sacramento urban area, ranked 28th in the US based on population. Table 1 compares the District's 2016 performance to 6 other bus peer transit properties and 4 other rail peer transit properties. This table indicates the following:

Bus
The District ranks 4th in Cost per Passenger, Subsidy per Passenger, and 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.

Rail
The District ranks 3rd in Cost per Passenger and Subsidy per Passenger among its Rail peer transit agencies.
The District ranks 2nd in Farebox Recovery Ratio among its Rail peer transit agencies.
The District ranks 4th in Cost per Revenue Mile and Cost per Revenue Hour among its Rail peer transit agencies.

Attachment 4

SACRAMENTO REGIONAL TRANSIT DISTRICT
Sacramento, California

REPORTS REQUIRED BY UNIFORM GUIDANCE AND TRANSPORTATION DEVELOPMENT ACT
Year ended June 30, 2018

SACRAMENTO REGIONAL TRANSIT DISTRICT
Sacramento, California

Year ended June 30, 2018

CONTENTS

Crowe LLP
Independent Member Crowe Global

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, 2018, 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 16, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2018-001, that we consider to be a significant deficiency.

(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*.

The District’s Response to Findings

The District’s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 LLP

Crowe LLP

Sacramento, California
November 16, 2018

Crowe LLP
Independent Member Crowe Global

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, 2018. 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, 2018.

(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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-002, that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

(Continued)

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, 2018, and the related notes to the financial statements, which collectively comprise The District's basic financial statements. We issued our report thereon dated November 16, 2018, 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP

Crowe LLP

Sacramento, California
November 16, 2018

SACRAMENTO REGIONAL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

Federal Grantor/ Program or Cluster Title	CFDA Number	Grant Pass-Through Number	Federal Expenditures	Passed Through to Subrecipients
Department of Transportation				
Federal Highway Administration				
Passed through Sacramento Area Council of Governments				
Highway Planning and Construction Cluster	20.205	03-6085R	60,652	-
Federal Transit Administration				
Federal Transit Cluster:				
Direct Programs:				
Federal Transit – Capital Investment Grants	20.500	n/a	2,495,922	1,807,718
State of Good Repair Grants Program	20.525	n/a	13,804,359	-
Bus and Bus Facilities Formula Program	20.526	n/a	2,244,772	2,244,772
Federal Transit – Formula Grants	20.507	n/a	24,596,504	592,358
Passed through Sacramento Area Council of Governments				
Federal Transit – Formula Grants	20.507	CA-95-X275	960,004	-
Federal Transit – Formula Grants	20.507	not provided	681,499	-
Subtotal CFDA 20.507			26,238,007	592,358
Total Federal Transit Cluster			44,783,060	4,644,848
Research and Development Cluster:				
Direct Programs:				
Research, Development, Demonstration, Deployment	20.514	n/a	870,000	-
Transit Services Programs Cluster:				
Passed through Sacramento Area Council of Governments				
New Freedom Program	20.521	CA-57-X072	123,428	-
Total Department of Transportation			45,837,140	4,644,848
Department of Homeland Security				
Direct Programs:				
Rail and Transit Security Grant Program	97.075	EMW-2014-RA-00009	41,260	-
Total Expenditures of Federal Awards			45,878,400	4,644,848

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, 2018. 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?	X Yes	___ 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?	X Yes	___ 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)?	X Yes	___ 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:	$ 1,376,352	
Auditee qualified as low-risk auditee?	X Yes	___ No

(Continued)

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

Finding 2018-001 – Preparation of the Schedule of Expenditures of Federal Awards (Significant Deficiency)

Criteria: 2 CFR 200 requires that proper internal controls are in place over the SEFA to ensure that all federal grant expenditures are properly classified by CFDA number.

Condition: The incorrect CFDA number was presented on the SEFA for two grants within the Federal Transit Cluster.

Effect: Expenditures under CFDA number 20.507 were overstated by $1,936,624 and expenditures under CFDA numbers 20.500 and 20.526 were understated by $1,807,718 and $128,906, respectively.

Cause: The process for preparing and reviewing the SEFA does not include tracing the federal award number to the grant agreement or other similar sources to verify the accuracy of the CFDA number presented.

Recommendation: We recommend that management review the CFDA number presented for each grant listed on the SEFA by tracing the CFDA number to the related grant award agreement.

Management's Response: Management agrees with this finding and has made the correction to the current year SEFA. Going forward, the procedures for review of the SEFA will include tracing Federal Award Identification Number (FAIN) to the Transit Award Management System (TRaMS) website to verify the CFDA for FTA grants is accurate. Non-FTA grants will be traced to the related award agreement.

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

Finding 2018-002 – Procurement, Suspension and Debarment (Significant Deficiency)

Information on the federal program:

CFDA Numbers and Program Names:	20.500 Federal Transit – Capital Investment Grants 20.507 Federal Transit – Formula Grants 20.526 Bus and Bus Facilities Formula Program
Federal Agency:	Department of Transportation

Criteria: 29 CFR 97 – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, SUBPART C - POST-AWARD REQUIREMENTS

97.35 – Subawards to debarred and suspended parties.

Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

(Continued)

2 CFR 180 – OMB GUIDELINES TO AGENCIES ON GOVERNMENTWIDE DEBARMENT AND SUSPENSION (NONPROCUREMENT), SUBPART B – COVERED TRANSACTIONS

180.200 What is a covered transaction?

A covered transaction is a nonprocurement or procurement transaction that is subject to the prohibitions of this part. It may be a transaction at— (a) The primary tier, between a Federal agency and a person (see appendix to this part); or (b) A lower tier, between a participant in a covered transaction and another person.

2 CFR 180 – OMB GUIDELINES TO AGENCIES ON GOVERNMENTWIDE DEBARMENT AND SUSPENSION (NONPROCUREMENT), SUBPART C – RESPONSIBILITIES OF PARTICIPANTS REGARDING TRANSACTIONS DOING BUSINESS WITH OTHER PERSONS

180.300 What must I do before I enter into a covered transaction with another person at the next lower tier? When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

(a) Checking the EPLS; or
(b) Collecting a certification from that person; or
(c) Adding a clause or condition to the covered transaction with that person.

Condition: Management is required to perform verification for all covered transactions by checking the Excluded Party List System (EPLS), collecting a certification, or adding a clause or condition to the covered transaction to ensure that covered transactions are not awarded to suspended or debarred parties. For the programs listed above, we noted that management did not have adequate controls in place to ensure compliance with this requirement.

Questioned Costs: None noted.

Context: In our sample of two subawards, management could not provide evidence that either subrecipient was not suspended or debarred prior to the execution of the subaward.

Effect: Noncompliance with the requirements for entering into covered transactions with subrecipients could result in disbursement of Federal funds to suspended or debarred parties.

Cause: Procedures were not in place to verify subrecipients were not suspended or debarred prior to the execution of the subaward.

Recommendation: We recommend that management implement policies to verify SAM registration status of potential subrecipients, collect certification from potential subrecipients, or include a clause or condition to the subaward to verify that entities to which the District is awarding Federal funds is not suspended or debarred. We also recommend that management review its current subrecipients to ensure they are not suspended or debarred and maintain documentation of the verification procedure performed.

Management's Response: Management agrees with this finding. Management identified this deficiency in its subaward procedures shortly after the end of fiscal year 2018 and created a policy to ensure appropriate subrecipient documentation and verification is performed prior to the grant application, including a search of SAM System Exclusions at SAM.gov and maintenance of the search results in a central repository. Current subrecipients were also searched in the system to verify registration in SAM.gov.

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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, 2018.

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.

(Continued)

Opinion on the Transportation Development Act Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Transportation Development Act program for the year ended June 30, 2018.

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 LLP

Crowe LLP

Sacramento, California
November 16, 2018

Crowe LLP
Independent Member Crowe Global

Members of the Board of Directors
Sacramento Regional Transit District
Sacramento, CA

Members of the Board of Directors
Sacramento Area Council of Governments
Sacramento, CA

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

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

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

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts or disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters 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:
  - The allocation of responsibilities between you and management.
  - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
  - Significant communications with regulators.
  - Other matters you believe are relevant to the audit of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: 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. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.	Upon adoption of this Statement, the District recorded an adjustment to reduce beginning unrestricted net position by $19.2 million. This was comprised of a net OPEB liability of $25.1 million and deferred outflows of resources for pension contributions made after the actuarial measurement date of $5.8 million.
GASB Statement No. 85, "Omnibus 2017." This Statement was issued to address practice issues that have been identified during implementation and application of certain GASB Statements.	Adoption of this Statement did not have a material impact on the District's financial position or results of operations.
Significant Unusual Transactions.	No such matters noted.
Significant Accounting Policies in Controversial or Emerging Areas.	No such matters noted.

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

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

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Fair Values of Investment Securities and Other Financial Instruments	The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities.	We tested the propriety of information underlying management's estimates.
Pension and Postretirement Obligations	Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets.	We reviewed the reasonableness of these estimates and assumptions.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

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

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

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 District's financial statements or the auditor's report.	During our audit, there were no such disagreements with management.
Consultations With Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of 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.

Communication Item	Results
Significant Related Party Findings and Issues We are to communicate to you significant findings and issues arising during the audit in connection with the District's related parties.	There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.
Other Findings or Issues We Find Relevant or Significant We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.	There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.

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

Crowe LLP

Crowe LLP

Sacramento, California
November 16, 2018

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Independent Member Crowe Global

Members of the Board of Directors
Sacramento Regional Transit District
Sacramento, California

Members of the Board of Directors
Sacramento Area Council of Governments
Sacramento, California

In planning and performing our audit of the financial statements of Sacramento Regional Transit District ("District") as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the District's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

Crowe LLP

Sacramento, California
November 16, 2018

RESOLUTION NO. 18-12-_____

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

December 10, 2018

DESIGNATE $5,172,007 OF THE $9,172,007 OPERATING SURPLUS TO SACRT'S OPERATING RESERVE AND PLACE $4,000,0000 INTO WORKING CAPITAL FOR THE FISCAL YEAR ENDED JUNE 30, 2018.

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 FY2018 with an operating surplus of $9,172,007.

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 $5,172,007 of the operating surplus to build SacRT's Operating Reserve and place $4,000,000 into Working Capital for FY2018.

____
PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: ______________________________
Cindy Brooks, Assistant Secretary