Regional Transit

STAFF REPORT

DATE: December 14, 2020

TO: Sacramento Regional Transit Board of Directors

FROM: Brent Bernegger, VP, Finance/CFO

SUBJ: RECEIVE AND FILE THE COMPREHENSIVE ANNUAL FINANCIAL REPORT AND DESIGNATE THE RESERVE FOR FISCAL YEAR JUNE 30, 2020.

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

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) Report to the Board of Directors for the Fiscal Year Ended June 30, 2020 and Designate $3,692,795 and $9,100,000 to SacRT's Operating Reserve and Working Capital reserve respectively.

These actions will result in a net increase of $3,692,795 to the July 1, 2020 beginning operating reserve balance of $13,814,545 and $9,100,000 to the July 1, 2020 beginning working capital balance of $4,000,000.

FISCAL IMPACT

As of June 30, 2020, Operating Revenues exceeded Operating Expenses, thereby creating an Operating surplus of $12,792,795 (as shown on page 11 of the CAFR).

Upon approval of the Fiscal Year (FY) 2020 operating results and the recommended actions noted above, the final June 30, 2020 combined reserve balance of $17,507,340 of Operating Reserve and $13,100,000, of working capital, totals $30,607,340.

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 LLP, for the fiscal year ended June 30, 2020. Moreover, no material weaknesses involving SacRT's financial reporting, internal control processes or issues of non-compliance were identified.

Financial Results Summary

The CAFR presentation and classifications are intended to provide an overall picture of SacRT's year-end financial position, as well as the results of operations. Overall, and as reflected in the Financial Section to the CAFR (see Attachment 1 – Statement of Revenue and Expenses), SacRT's net position decreased by $26.5 million as of June 30, 2020.

The decrease in net position is primarily the result of a net decrease in SacRT's Capital Program and an operating gain of approximately $12.8 million. For additional analysis, please refer to the Management Discussion and Analysis (MD&A) section found within the CAFR document starting on page 4.

Summary of Actual Results

The CAFR presentation differs from SacRT's operating and capital budgets in that the CAFR combines both operating and capital activities. To evaluate the FY 2020 operating results, Attachment 1 and page 11 of the CAFR shows SacRT's operating and capital funds separately. As of June 30, 2020, SacRT's operating results were as follows: $21.0 million in fare revenues, $181.4 million in operating expenses, and $173.2 million in non-operating revenues (expenses).

Summary of Budget to Actual Results

The amended Budget to actual highlights includes an unfavorable variance in fare revenues of $5.2 million, net favorable variance in operating expenses of $11.6 million and a net favorable variance in non-operating revenues of approximately $6.4 million (see Attachment 2).

Operating Revenues

SacRT's FY2020 fare revenue totaled $21.0 million. The net unfavorable operating revenues variance of $5.2 million can be attributed to the reduction of ridership due to the COVID-19 pandemic.

Operating Expenses

Operating expenses totaled $181.4 million, a net favorable variance of $11.6 million from the budget of $193.0 million. Salaries and fringe benefits were under budget by $4.3 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 Services were under budget by $5.2 million as a result of savings in purchased transportation due to an allocation of CARES Act funding to Paratransit Inc., police services financial contingencies to fund proactive operations and a reduced need for media advertising due to changes in SacRT's communication plan. Budget savings were partially mitigated due to COVID-19 costs incurred by Facilities and Safety departments.

Non-Operating Revenues (Expenses)

Non-operating revenue (expense) totaled $173.2 million, a net favorable variance of $6.4 million from the budget of $166.8 million. The favorable variance is primarily attributed to the following: a $5.9 million increase in insurance and other income due to proceeds from accident damaged light rail vehicles, $5.0 million in alternative fuel and carbon tax credits due to reinstatement of the Federal Excise Tax Refunds for Compressed Natural Gas and favorable carbon credit sales due to higher demand. The favorable variance was partially mitigated by $3.5 million in lower state and local assistance due to lower than expected taxable sales.

Operating Results

SacRT concluded FY2020 with an operating surplus of $12.8 million. Of which $3,692,795 and $9,100,000 will be assigned to SacRT's Operating Reserve and Working Capital, respectively.

Comprehensive Reserve Policy

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

Reserve Type	Policy Target	FY 2020 Policy Target Amount	Actual Reserve Balance	Reserve Shortfall
Operating Reserve	12.3% of annual operating budget	$23.7 million*	$17.5 million**	$6.2
Working Capital		N/A	$13.1 million**	-
Total			$30.6 million	
Self-Insurance	Current year actuarially determined claim expense at a minimum	$6.0 million	$3.3 million	$2.7 - 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 FY20 operating budget **Includes FY20 increase in net position

In the past five fiscal years, SacRT has made a significant financial turn-around by building the operating reserve and working capital balance to $30.6 million, as of June 30, 2020 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 invested operating reserve target presented above is the minimum requirement per the comprehensive reserve policy; however, SacRT currently has a $27 million Line of Credit to supplement operating cash flows. 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.

Attachments

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

- Fiscal Year 2020 Statement of Revenue and Expense per Funding Designations – Attachment 1
- Fiscal Year 2020 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

Fiscal Year 2020
Statement of Revenues and Expenses
Per Funding Designation

Statement of Revenues and Expenses	FY 2020 Funding Designation: Operations	GASB	Capital Improvement Program	Total
OPERATING REVENUES (Fares)	**$ 20,998,877**	**$ -**	**$ -**	**$ 20,998,877**
OPERATING EXPENSES				
Labor and Fringe Benefits	127,687,727	5,456,708	-	133,144,435
Professional and Other Services	22,963,580	-	4,959,738	27,923,318
Spare Parts and Supplies	11,490,270	-	3,060,048	14,550,318
Utilities	6,820,547	-	-	6,820,547
Casualty and Liability Costs	9,930,823	-	-	9,930,823
Depreciation and Amortization	-	-	42,739,264	42,739,264
Indirect Costs Allocated to Capital Programs	(230,234)	-	-	(230,234)
Other	2,745,171	-	-	2,745,171
Impairment Loss	-	-	15,375,413	15,375,413
Total Operating Expenses	**$ 181,407,884**	**$ 5,456,708**	**$ 66,134,463**	**$ 252,999,055**
Loss from Operations	**(160,409,007)**	**(5,456,708)**	**(66,134,463)**	**(232,000,178)**
NON-OPERATING REVENUES (EXPENSES)				
Operating Assistance				
State and Local	114,879,837	-	-	114,879,837
Federal	35,080,314	1,271,446	367,074	36,718,834
Investment Income	3,010,464	-	94,907	3,105,371
Interest Expense	(2,610,901)	-	(2,399,392)	(5,010,293)
Pass Through to Subrecipients	-	-	(301,315)	(301,315)
Professional and Other Services Funded by Others	-	-	(74,255)	(74,255)
Contract Services	7,125,076	-	-	7,125,076
Alternative Fuel and Carbon Tax Credits	7,054,625			7,054,625
Insurance Proceeds and Other	8,662,387	-	938,605	9,600,992
Total Non-operating Revenues (Expense)	**$ 173,201,802**	**$ 1,271,446**	**$ (1,374,376)**	**$ 173,098,872**
Increase (Decrease) in Net Position Before Capital Contributions	**12,792,795**	**(4,185,262)**	**(67,508,839)**	**(58,901,306)**
Capital Contributions				
State and Local	-	-	27,812,124	27,812,124
Federal	-	-	4,558,370	4,558,370
Increase (Decrease) in Net Position	**$ 12,792,795**	**$ (4,185,262)**	**$ (35,138,345)**	**$ (26,530,812)**

Operating Reserve

Invested Operating Reserve Balance July 1, 2019	$ 13,814,545
FY2020 Designation to Invested Operating Reserve	3,692,795
Invested Operating Reserve Balance June 30, 2020	**$ 17,507,340**

Working Capital Reserve Balance July 1, 2019	$ 4,000,000
FY2020 Designation Working Capital	9,100,000
Working Capital Reserve Balance June 30, 2020	**$ 13,100,000**

Attachment 2

Fiscal Year 2020
Statement of Revenues and Expenses
Operating Budget to Actual Expenses

	FY 2020 Budget to Actual Expenses			
Statement of Revenues and Expenses	Approved Budget	Adjusted Operating Results	Variance (Unfavorable)/ Favorable	Percent Variance
OPERATING REVENUES				
Fares	**$ 26,198,738**	**$ 20,998,877**	**$ (5,199,861)**	**-19.8%**
OPERATING EXPENSES				
Labor and Fringe Benefits	132,020,356	127,687,727	4,332,629	3.3%
Professional and Other Services	28,165,370	22,963,580	5,201,790	18.5%
Spare Parts and Supplies	11,721,462	11,490,270	231,192	2.0%
Utilities	6,935,000	6,820,547	114,453	1.7%
Casualty and Liability Costs	10,840,176	9,930,823	909,353	8.4%
Depreciation and Amortization	-	-	-	
Indirect Costs Allocated to Capital Programs	(230,120)	(230,234)	114	0.0%
Other	3,587,135	2,745,171	841,964	23.5%
Impairment Loss	-	-	-	
Total Operating Expenses	**$ 193,039,379**	**$ 181,407,884**	**$ 11,631,495**	**6.0%**
(Loss) Income from Operations	**(166,840,641)**	**(160,409,007)**	**6,431,634**	**-3.9%**
NON-OPERATING REVENUES (EXPENSES)				
Operating Assistance				
State and Local	118,375,393	114,879,837	(3,495,556)	-3.0%
Federal	35,944,541	35,080,314	(864,227)	-2.4%
Investment Income	2,410,221	3,010,464	600,243	24.9%
Interest Expense	(2,310,221)	(2,610,901)	(300,680)	13.0%
Contracted Services	7,685,707	7,125,076	(560,631)	-7.3%
Alternative Fuel and Carbon Tax Credits	2,050,000	7,054,625	5,004,625	244.1%
Advertising	1,135,000	1,246,978	111,978	9.9%
Insurance Proceeds and Other	1,550,000	7,415,409	5,865,409	378.4%
Total Non-operating Revenues (Exp)	**$ 166,840,641**	**$ 173,201,802**	**$ 6,361,161**	**3.8%**
Increase in Net Position	**$ -**	**$ 12,792,795**	**$ -**	**-**

Sacramento Regional Transit District

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

Regional Transit

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

TABLE OF CONTENTS

Regional Transit

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

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

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

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

Public Transit Since 1973

www.sacrt.com

December 14, 2020

To the Board of Directors and Citizens Served by the Sacramento Regional Transit District:

The Sacramento Regional Transit District (SacRT) 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, SacRT hereby issues the Comprehensive Annual Financial Report (CAFR) of SacRT for the fiscal year ended June 30, 2020.

This report consists of management's representations concerning the finances of SacRT. 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 SacRT 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 SacRT assets and to compile sufficient reliable information for the preparation of SacRT's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, SacRT'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.

SacRT'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 SacRT's financial statements for the fiscal year ended June 30, 2020, 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 SacRT's financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with GAAP.

The independent audit of the financial statements of SacRT 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 SacRT's separately-issued Uniform Guidance Single Audit, Subpart F 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. SacRT's MD&A can be found immediately following the independent auditor's report of Crowe LLP.

Profile of SacRT

SacRT began operation on April 1, 1973, with the acquisition of the Sacramento Transit Authority. SacRT is the largest public transportation provider in the Sacramento region, the capital of the fifth largest economy in the world, serving a metropolitan population of over 1.4 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 SacRT pursuant to the Sacramento Regional Transit District Act.

An 11-member Board of Directors is responsible for governing the SacRT. 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 SacRT's General Manager/Chief Executive Officer (GM/CEO). SacRT's GM/CEO is responsible for carrying out the policies and ordinances of the Board for overseeing the day-to-day operations of SacRT, and for appointing the executive management of the various divisions.

SacRT 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 18 million passengers in fiscal year ending June 30, 2020. In Fiscal Year 2020 SacRT ridership was on the rise through the month of February seeing a 10 percent increase in ridership system-wide. In response to the COVID-19 pandemic, the Sacramento region closed schools, businesses and enacted a Shelter-in-Place order in March 2020. Due to these measures, SacRT experienced sharp declines in ridership, not unlike transit agencies across the country. Daily ridership initially declined around 75 percent and then started to slowly increase with the fiscal year ending approximately 15 percent below Fiscal Year 2019's system-wide ridership.

SacRT's entire bus and light rail system is accessible in accordance with the American Disabilities Act (ADA). Additionally, SacRT 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.

SacRT'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 SacRT'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.

SacRT'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, SacRT 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 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 SacRT operates bus and light rail service.

COVID-19

During the first eight months of the Fiscal Year 2020, SacRT's trajectory was on a steadfast climb: ridership was growing; SacRT launched multiple initiatives, including RydeFreeRT, SacRT Forward (reimagining the entire bus network), Airport express bus service for the first time in SacRT's history, expanded SmaRT Ride on-demand microtransit service to 12 zones; and a recent county-wide poll showed SacRT's public satisfaction rating at an all-time high. However, SacRT, like many others, experienced how quickly things can change in just a matter of days, emphasizing the tremendous influence the COVID-19 pandemic has had on SacRT, the community, nation and world. No one can accurately predict what the coronavirus will do next, nor when it will be safe for all of us to resume "life as normal." For the time being, all of us at SacRT will continue to do all that we can to get our customers where they want to go – as safely and as efficiently as possible. Additional information on COVID-19 and its impact on SacRT can be found in Footnote 1 to the financial statements.

Local Economy

SacRT 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 2020 was 9.6 percent with a low of 3.7 percent in February 2020. The Sacramento region continues to trend below the statewide annual averages on an annual basis, which demonstrates the need for transit in the Sacramento region.

A significant portion of SacRT's operating funds are derived from sales tax revenues. In Fiscal Year 2020, taxable sales in the Sacramento region rose resulting in an increase of 9.7 percent in the Local Transportation Fund and a 0.8 percent in Measure A Revenue for SacRT's allocated apportionments. Due to the uncertainty of COVID-19, SacRT adopted the Fiscal Year 2021 Operating Budget with a decline of approximately 38.0 percent in sales tax-based revenues. Despite the negative impact of the COVID-19 pandemic, it is estimated that taxable sales in Fiscal Year 2021 will increase by 4.0 percent resulting in a similar increase in the Local Transportation Fund and Measure A Revenue.

District-Wide Improvement Initiatives

As SacRT concluded Fiscal Year 2020, the Board, GM/CEO, executive management team and staff are proud of the numerous achievements that have elevated SacRT to new heights. Whether it was implementing innovative mobility solutions or navigating a pandemic, SacRT never skipped a beat in Fiscal Year 2020, setting industry best practices for other public transit systems to emulate.

As SacRT prepares for Fiscal Year 2021, some priorities have shifted due to the ongoing pandemic; however, SacRT will not be deterred from continuing to improve and implement innovative mobility solutions that will benefit the Sacramento region and push for additional funding at the federal, state and local levels. With the implementation of SacRT's newly adopted Strategic Plan for FY2021-25, it will serve as for the guiding vision for post-pandemic strategic success. Here are the guiding principles:

- Customer Satisfaction: Ensuring that SacRT customers have access to high quality mobility options that they actively and increasingly use is a priority for SacRT. SacRT wants to ensure that the system provides customers with mobility options that get them where they want to go, when they want to go there.

- Operational Excellence: SacRT is dedicated to providing innovative mobility solutions and developing and implementing programs that provide best in class service that puts customers first. As public transportation service continues to evolve, SacRT is committed to providing the highest standards in transportation by implementing industry best practices and ensuring clean, safe, reliable and convenient service for our customers.

- Community Value: SacRT is committed to expanding regional partnerships and providing excellent public transit service to promote SacRT as our region's premier public transit agency. SacRT will continue to promote programs and incentive options that will encourage more people to try transit, build our ridership, demonstrate our value and economic impact as a community partner, and educate the public about the benefits of transit and how local funding is important to create a world-class public transit system.

- Employee Engagement: SacRT is dedicated to providing a positive and collaborative workplace that enables us to build a strong workforce of highly satisfied and performing individuals. SacRT recognizes that the work employees do every day, in every single position, has a potentially significant impact on the quality of life in the Sacramento region. SacRT employees are foundational to the success and SacRT is committed to hiring the best people and supporting them throughout their careers at SacRT.

Major Initiatives Moving Forward in Fiscal Year 2021

SacRT's 2021-2025 Strategic Plan

The disruptive impact of the COVID-19 pandemic precisely demonstrated the need for a strategic plan – especially for organizations that are publicly funded like SacRT. The pandemic is a major hurdle; however, it's also an opportunity for the transit industry to show the vital role public transit plays in keeping the Sacramento region moving. One thing that has been clear and consistent from the start of the crisis is that public transit is a lifeline for many – providing critical mobility options for millions of front-line healthcare, public safety, grocery, and service industry workers fulfilling essential roles during the pandemic. SacRT's Strategic Plan for Fiscal Years 2021-25 will serve as the guiding vision for post-pandemic strategic success.

Light Rail Modernization Project

SacRT was awarded nearly $200 million in funding from the Transit and Intercity Rail Capitol Program and the California State Transportation Agency (CalSTA) to modernize the light rail fleet, including the purchase of 20 new low-floor light rail trains, low-floor stations, supporting infrastructure and double-tracking in Folsom to provide 15-minute service that will provide better accessibility to passengers with disabilities, bicycles, and strollers, and help reduce traffic congestion on the busy Highway 50 corridor.

On April 15, 2020, SacRT signed the notice to proceed to purchase the first 20 new low-floor light rail vehicles from Siemens Mobility, Inc. SacRT is in the process to purchase an additional 15 low-floor vehicles. The new state-of-the-art vehicles, will also save SacRT money in high maintenance and repair costs that are associated with keeping light rail cars in service past their 30-year useful life. Service Implementation is expected in 2023 to 2024.

The grant funding will also be used to modify several light rail stations to accommodate the low-floor style of the new light rail vehicles, which are easier to navigate for people with disabilities as well as for those with bicycles, strollers and luggage.

SacRT's Folsom 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; however, double tracking will allow for 15-minute service as well as ease congestion around the Gold Line along the Highway 50 corridor. Construction is expected to take approximately two years with start of service by late 2023.

Electric Vehicles

In accordance with the California Air Resource Board's Innovative Clean Transit regulation (CARB ICT), SacRT adopted a Rollout Plan to transition its bus fleet to 100 percent zero-emission (ZE) by 2040. The CARB's ICT regulation requires all public transit agencies in the State of California to transition from conventional buses (compressed natural gas, diesel, etc.) to zero-emission buses (battery-electric or fuel cell electric) by 2040. The regulation requires a progressive increase of an agency's new bus purchases to be zero-emission buses (ZEBs) based on their fleet size.

SacRT GO

In June 2020, SacRT brought our ADA paratransit and non-ADA paratransit service in house to improve customer satisfaction, increase operational effectiveness and generate fiscal efficiencies. SacRT GO Paratransit Services is door-to-door, shared-ride transportation for individuals who are unable to use SacRT's bus and light rail system (also referred to as Fixed Route), either all of the time or some of the time, because of a disabling condition. Preliminary reports are already showing a higher than average rides-per-hour efficiency calculation.

It was a tremendous SacRT team effort to transition ADA and non-ADA paratransit services in house during a pandemic and not interrupt vital service for the disabled community, which included the modification of 120 paratransit vehicles and hiring of over 113 employees.

SmaRT Ride

SacRT is among the first few transit agencies in the nation to implement microtransit on-demand service. With a total of nine active SmaRT Ride service zones, SacRT is the largest microtransit provider in the country, operating with 45 shuttles, nine of which are zero emission electric vehicles. SacRT's SmaRT Ride service is provided through Measure A funding. SacRT was awarded a $12 million grant by the Sacramento Transportation Authority (STA) two years ago and in October 2020, was awarded an additional $2 million to help expand microtransit on-demand service with a focus on disadvantaged communities throughout the Sacramento region. SmaRT Ride microtransit initially experienced a 15 percent decline in ridership at the start of the pandemic; however, this summer SacRT experienced the highest ridership ever on the service.

According to data provided by public mobility company Via, whose technology powers SacRT's SmaRT Ride app, the service has grown by an average of almost 4 percent per week in fall of 2020. Over the same period, the next highest Via service grew by only an average of under 2 percent per week. During that time period SmaRT Ride completed 2,784 passenger trips, placing it among the strongest performing microtransit services in the United States in terms of both ridership and week-on-week growth.

Fare-Free for Youth

The RydeFreeRT program provides fare free transit for students/youth on bus, light rail, and SmaRT Ride on-demand microtransit services across SacRT's service area, which includes the cities of Sacramento, Folsom, Citrus Heights, and Rancho Cordova and parts of Sacramento County. Approximately 220,000 students in grades transitional Kindergarten through 12th, home-schooled students, and foster and homeless youth are all eligible.

The program began in October 2019, and SacRT experienced a 127 percent increase in student ridership pre-COVID-19. Even during the "Shelter-in-Place" order, young people continue to rely on SacRT to meet their essential transportation needs. RydeFreeRT is available all day, any day of the week during regular SacRT service hours. SacRT received funding from the City of Sacramento to extend the RydeFreeRT program for a second year until September 30, 2021.

Real Estate

SacRT continued to progress TOD investments, property dispositions, revenue licenses and easements despite the challenges that COVID-19 is having on the real estate market. The property located at University/65th Street Transit Center was sold, and generated $1,790,068 for SacRT. In addition, the sale included transportation infrastructure improvements for bus and pedestrian accessibility. The property located at 2200 Cemo Circle is under contract and estimated to generate $1.5 million in Fiscal Year 2021. A purchase and sale agreement for property located at Calvine Road/Auberry Drive is estimated to generate $1.5 million. It is expected when all the underutilized properties are built out they will include over 1,000 housing units with retail establishments that are walkable mixed-use communities centered near public transit, which will attract new riders. SacRT is in the process of transferring an old rail corridor, and currently in negotiations to sell the property located at Riverside Boulevard for a City Rail to Trail project, which is expected to generate an additional $0.6 million in Fiscal Year 2021.

Secure Additional Funding

In July 2020, SacRT was awarded a federal grant for approximately $95 Million in federal CARES Act stimulus funds, which will offset revenue decline and additional expenses related to the Covid-19 pandemic. It was determined that SacRT did not require the use of CARES Act funding in fiscal year 2020 however, it will be using approximately $67 million in fiscal year 2021 and the balance in future years.

Considering the atmosphere of uncertainty with COVID-19, the STA decided not to move forward with a transportation ballot measure in November 2020, referred to as Measure A. SacRT continues to work with the STA and other local agencies and community groups to work towards a future funding measure in 2022, possible sooner.

Balanced Funding Concepts

While SacRT 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 SacRT receives are generated by the Section 5307/5309/5337 federal transit funds and the state transportation account.

SacRT 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 96.

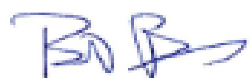
SacRT maintains three Retirement Plans for the benefit of its employees. The three Plans are ATU, IBEW, and Salaried. The Salaried Plan is made up of members from AFSME, AEA/OE3, and MCEG. Each year, an independent actuary engaged by the respective Retirement Boards calculates the amount of the annual contribution that SacRT 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.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SacRT for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. 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 20th consecutive year that SacRT 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, AVP, Finance and Treasury; Nadia Mokhov, Senior Financial Analyst, and 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, 2020

The Government Finance Officers Association of the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department

Sacramento Regional Transit District, California

The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the department or individual designated as instrumental in the government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director Christopher P. Morrill

Date: 9/3/2020

SACRAMENTO REGIONAL TRANSIT DISTRICT
LIST OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2020

Board of Directors

Steve Hansen, City of Sacramento, **Chair**
Steve Miller, City of Citrus Heights, **Vice Chair**
Linda Budge, City of Rancho Cordova
Jeff Harris, City of Sacramento
Kerri Howell, City of Folsom
Pat Hume, City of Elk Grove
Rick Jennings, II, City of Sacramento
Patrick Kennedy, County of Sacramento
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
Mike Kozlowski, City of Folsom
Jeff Slowey, City of Citrus Heights
David Sander, City of Rancho Cordova

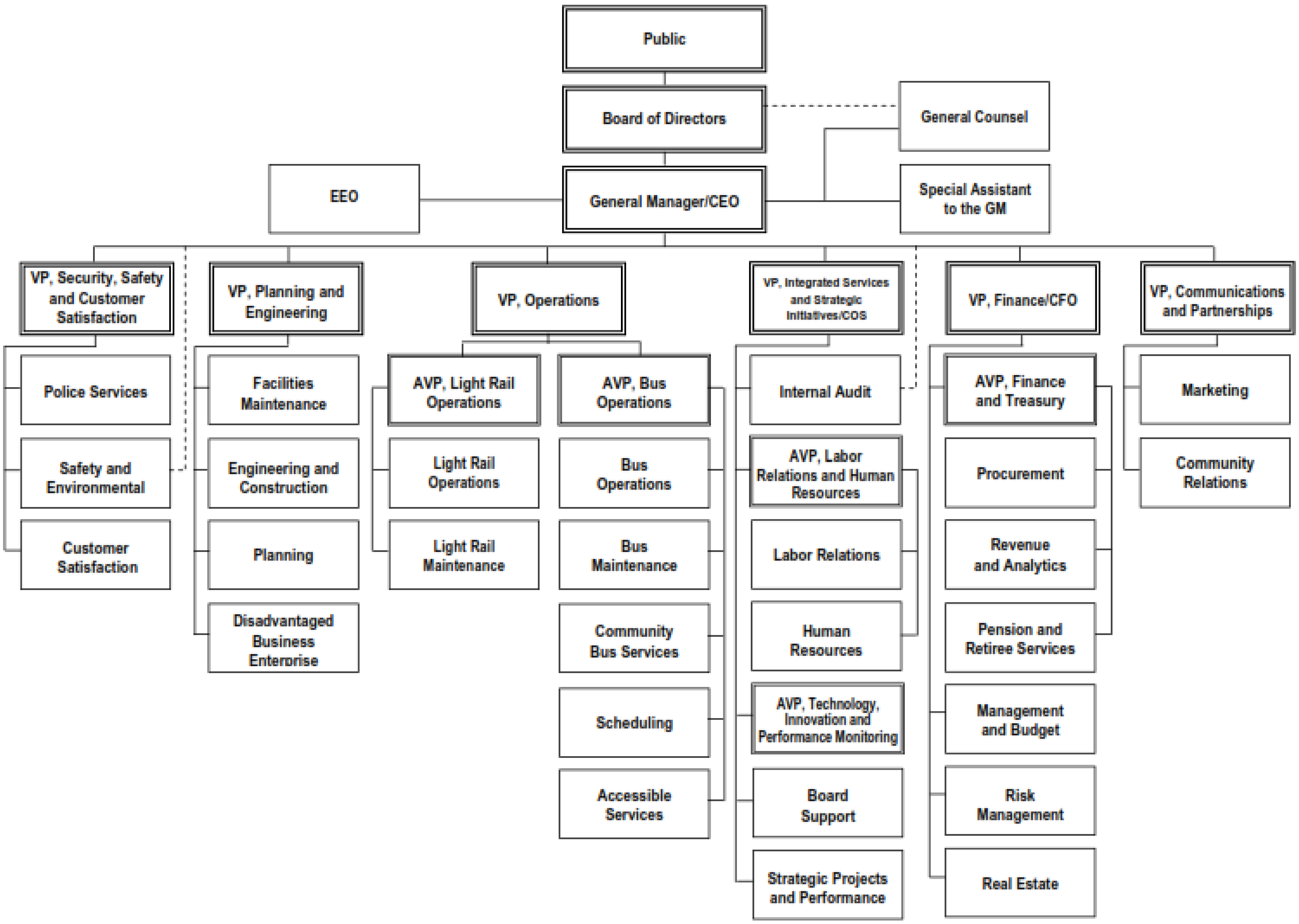
General Manager/CEO

Henry Li

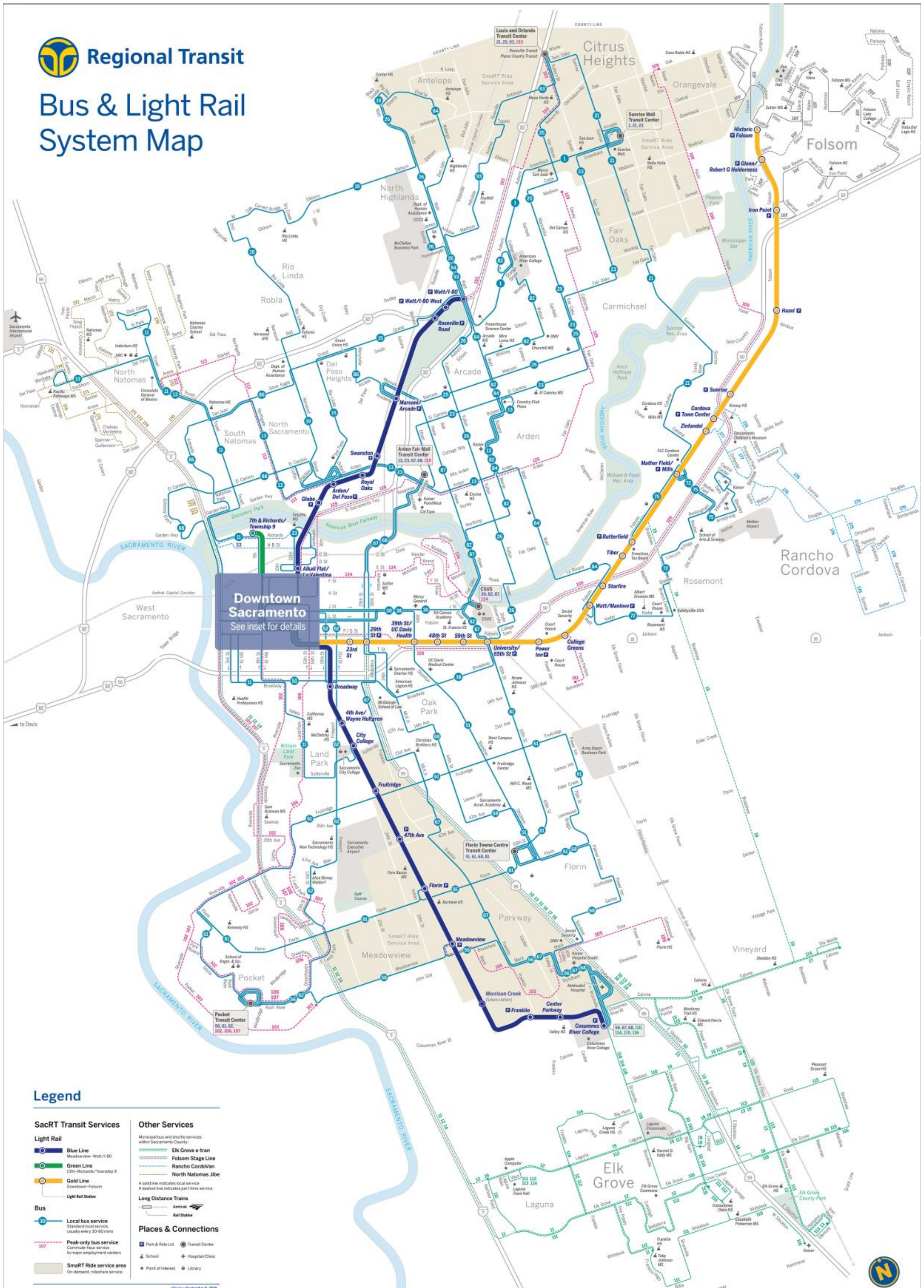
Executive Management Team

Carmen Alba, Vice President, Operations (Acting)
Brent Bernegger, Vice President, Finance/Chief Financial Officer
Laura Ham, Vice President, Planning and Engineering
Lisa Hinz, Vice President, Security, Safety and Customer Satisfaction
Devra Selenis, Vice President, Communications and Partnerships
Shelly Valenton, Vice President, Integrated Services and Strategic Initiatives

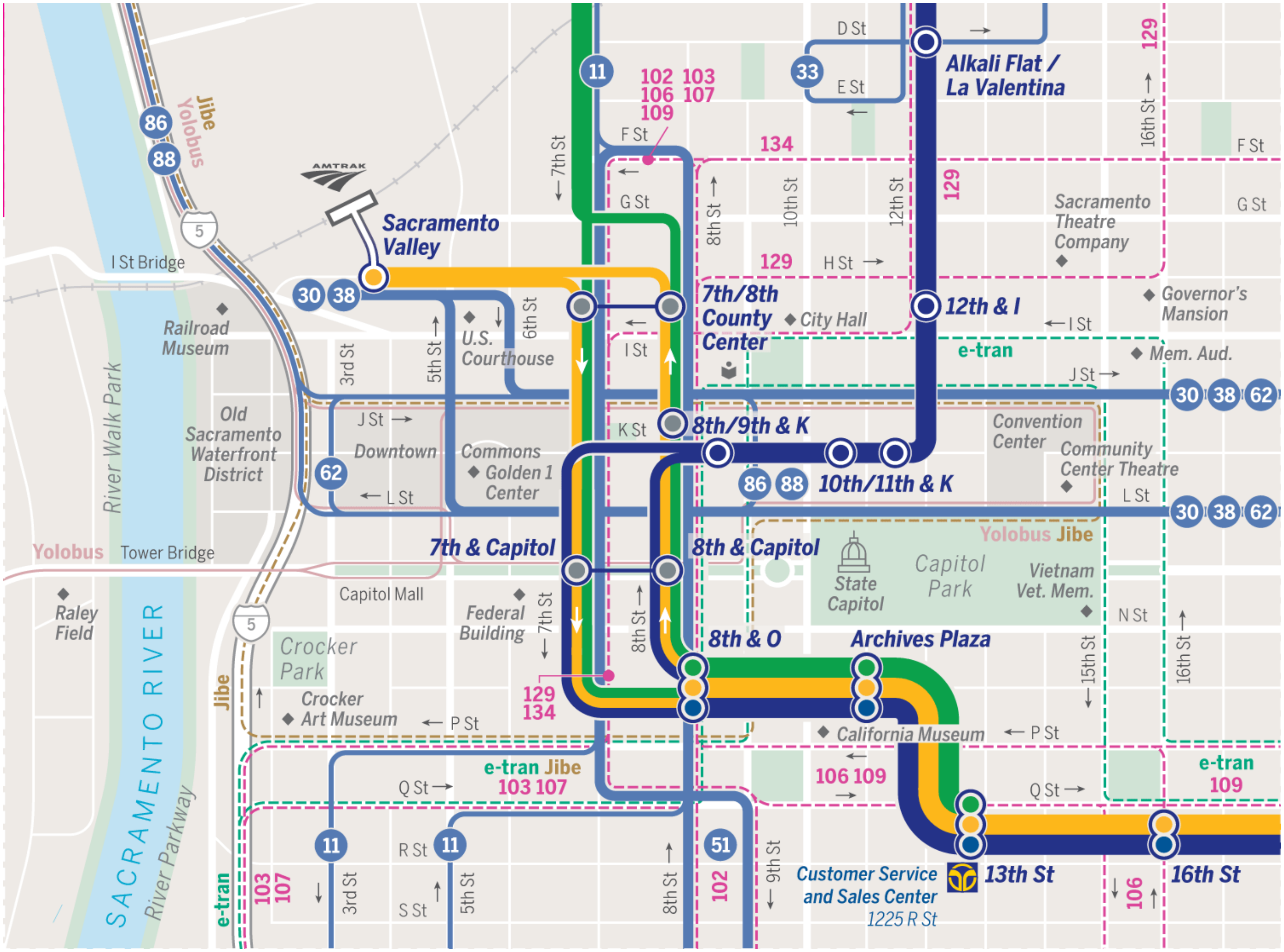
SACRAMENTO REGIONAL TRANSIT DISTRICT
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2020



SACRAMENTO REGIONAL TRANSIT DISTRICT
SERVICE AREA MAP



SACRAMENTO REGIONAL TRANSIT DISTRICT
SERVICE AREA MAP



Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the Sacramento Regional Transit District (SacRT), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SacRT's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of SacRT, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, during the year ended June 30, 2020, SacRT adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*, which resulted in reporting a custodial fund the Connect Card program. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, during the year ended June 30, 2020, SacRT adopted new accounting guidance, GASB Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*, changing its method of accounting for recognition of nonexchange revenue, which resulted in a restatement of SacRT's July 1, 2019 business-type activities net position in the amount of $35,245,195. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

The combining statement of fiduciary net position and combining statement of changes in fiduciary net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 combining statement of fiduciary net position and combining statement of changes in fiduciary net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 25, 2020 on our consideration of SacRT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SacRT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SacRT's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
November 25, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the Sacramento Regional Transit District (SacRT), we offer the readers of SacRT's financial statements this narrative overview and analysis of the financial activities for SacRT for the fiscal year ended June 30, 2020. 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 SacRT exceeded its liabilities and deferred inflows of resources at June 30, 2020 by $714,268,059 (net position). Of this amount $779,273,180 is net investment in capital assets, $3,472,133 is restricted for debt service, and $(68,477,254) is unrestricted. SacRT's negative unrestricted net position is the result of recording its net pension and net Other Post-Employment Benefits (OPEB) liabilities per GASB Statements No. 68. and No. 75, respectively.

- SacRT's total net position decreased for the year ended June 30, 2020 by 3.6 percent or $26,530,812 compared to the year ended June 30, 2019. This decrease is due primarily to capital activities which include net effect of depreciation, asset impairments and fiscal year 2020 capital contributions, which was partially mitigated by the surplus generated from operating activities. See Statement of Revenues and Expenses by Funding Designation for additional information.

- SacRT's total liabilities and deferred inflows of resources increased by $9,857,064 for the fiscal year ended June 30, 2020. The net increase is primarily attributed to both an increase in accrued liabilities related to progress payments for SacRT's light rail vehicle fleet expansion and OPEB related liability and deferred inflows resulting from changes in actuarial assumptions. This increase is partially mitigated by the decrease in casualty and liability claims reserves due the payment of a large claim and decrease in long-term debt due to annual revenue bond payments.

- During the fiscal year ended June 30, 2020, fare revenue decreased by $4,429,555 or 17.4 percent from the fiscal year ended June 30, 2019. This is attributed to a decline in ridership due to COVID-19. Non-operating revenue increased by $21,275,411 or 13.5 percent in fiscal year 2020 due to insurance proceeds from accident damaged light rail vehicles, the retroactive reinstatement of the Federal Excise Tax Refunds for Compressed Natural Gas (CNG), and the effects of SacRT's Progressed Regionalism initiative which includes new contracted services with the City of Elk Grove, expanded SmaRT Ride microtransit service and additional apportionments of Local Transportation Funds (LTF) generated from sales tax.

- Total operating costs increased by $29,845,691 or 13.4 percent for the fiscal year ended June 30, 2020. This increase is due to labor and fringe benefits costs and recording of capital asset impairments. The increase in labor and fringe benefits is due to a rise in labor costs resulting from increased service levels, new contracted service, contractual pay rate escalation, and an increase in SacRT's actuarially determined pension contribution. SacRT recorded asset impairment losses for the following: obsolete environmental impact services for the downtown to the Sacramento International Airport light rail extension project:, Light rail vehicle 310 damage in an accident, and fire damage at the Evergreen building which was offset by insurance proceeds. Additional information on asset impairment can be found in footnote 3 to the financial statements. The increase in operating costs was partially mitigated by a decrease in Casualty and Liability costs due to payment of a large claim in fiscal year 2019.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to SacRT'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 SacRT's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all SacRT'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 SacRT's financial position is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how SacRT's net position changed during the fiscal year ended June 30, 2020. 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, SacRT reports expenses and revenues on an accrual basis rather than a cash basis. Since SacRT'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. SacRT serves in a fiduciary capacity for the pension trust funds and the Connect Card Custodial Fund. 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 SacRT 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 SacRT's overall financial condition. This analysis addresses the financial statements of SacRT 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 SacRT, assets and deferred outflows exceeded liabilities and deferred inflows by $714,268,059.

The vast majority of SacRT's total net position reflects investment in capital assets, less any related debt and unused bond 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 SacRT'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.

SACRAMENTO REGIONAL TRANSIT DISTRICT
NET POSITION

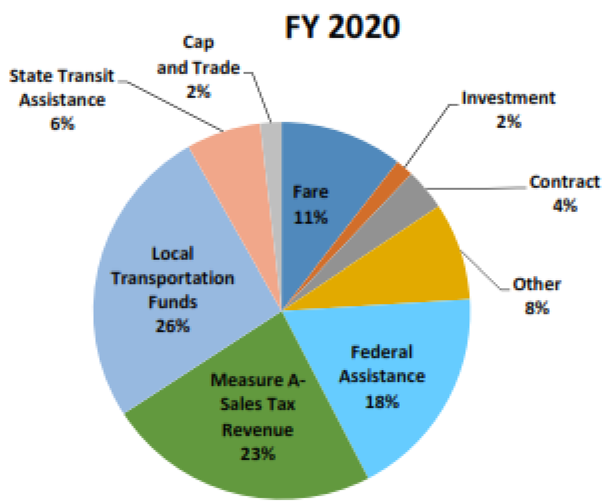
	June 30, 2020	June 30, 2019	Increase or (Decrease) Dollar	Percent
Current and Other Assets	$ 165,083,923	$ 179,080,814	$ (13,996,891)	(7.8)%
Capital Assets	843,578,892	879,381,275	(35,802,383)	(4.1)%
Total Assets	1,008,662,815	1,058,462,089	(49,799,274)	(4.7)%
Deferred Outflows of Resources	47,954,375	50,074,044	(2,119,669)	(4.2)%
Current Liabilities	63,661,084	55,883,961	7,777,123	13.9%
Non-Current Liabilities	264,005,806	263,928,264	77,542	0.0%
Total Liabilities	327,666,890	319,812,225	7,854,665	2.5%
Deferred Inflows of Resources	14,682,241	12,679,842	2,002,399	15.8%
Net Position				
Net Investment in Capital Assets	779,273,180	821,609,938	(42,336,758)	(5.2)%
Restricted for:				
Debt Service	3,472,133	3,434,872	37,261	1.1%
Unrestricted	(68,477,254)	(49,000,744)	(19,476,510)	39.7%
Total Net Position	$ 714,268,059	$ 776,044,066	$ (61,776,007)	(8.0)%

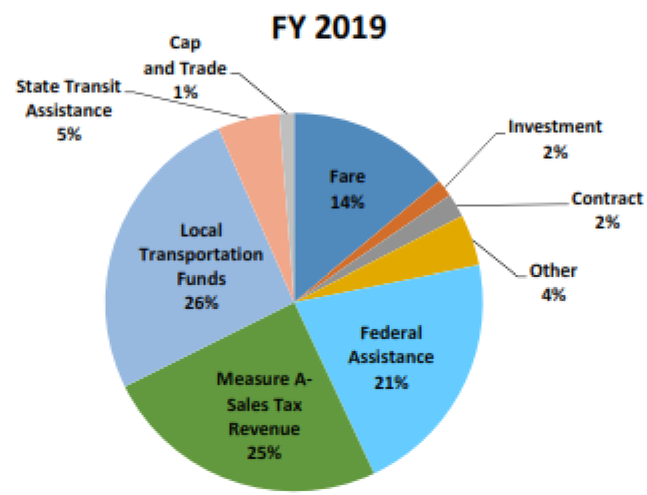
SACRAMENTO REGIONAL TRANSIT DISTRICT
REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	June 30, 2020	June 30, 2019	Increase or (Decrease) Dollar	Percent
Operating Revenue				
Fares	$ 20,998,877	$ 25,428,432	$ (4,429,555)	(17.4)%
Non-Operating Revenues				
Operating Assistance	151,598,671	142,698,833	8,899,838	6.2%
Investment Income	3,105,371	2,752,748	352,623	12.8%
Other Revenue	23,780,693	11,757,743	12,022,950	102.3%
Total Operating and Non-Operating Revenue	199,483,612	182,637,756	16,845,856	9.2%
Operating and Non-Operating Expenses				
Labor & Fringe Benefits	133,144,435	116,996,809	16,147,626	13.8%
Professional & Other Services	27,923,318	27,347,762	575,556	2.1%
Spare Parts & Supplies	14,550,318	12,138,843	2,411,475	19.9%
Utilities	6,820,547	6,761,302	59,245	0.9%
Casualty & Liability Costs	9,930,823	14,011,317	(4,080,494)	(29.1)%
Depreciation	42,739,264	43,359,261	(619,997)	(1.4)%
Other	2,745,171	2,847,479	(102,308)	(3.6)%
Impairment Loss	15,375,413	-	15,375,413	100.0%
Indirect Costs Allocated to Capital Programs	(230,234)	(309,409)	79,175	(25.6)%
Interest Expense	5,010,293	2,745,310	2,264,983	82.5%
Pass through to Subrecipients	301,315	2,837,820	(2,536,505)	(89.4)%
Professional and Other Services Funded By Others	74,255	4,447,642	(4,373,387)	(98.3)%
Total Operating and Non-Operating Expenses	258,384,918	233,184,136	25,200,782	10.8%
Loss Before Capital Contributions	(58,901,306)	(50,546,380)	(8,354,926)	16.5%
Capital Contributions				
State and Local	27,812,124	24,306,783	3,505,341	14.4%
Federal	4,558,370	2,371,128	2,187,242	92.2%
Total Capital Contributions	32,370,494	26,677,911	5,692,583	21.3%
Decrease in Net Position Before Special Item	(26,530,812)	(23,868,469)	(2,662,343)	11.2%
Special Item: Transfer of Operations	-	5,390,442	(5,390,442)	(100.0)%
Decrease in Net Position	(26,530,812)	(18,478,027)	(8,052,785)	43.6%
Net Position, beginning of year	776,044,066	794,522,093	(18,478,027)	(2.3)%
Cumulative Effect of Change in Accounting Principle	(35,245,195)			
Net Position beginning of year - restated	740,798,871			
Net Position, end of year	$ 714,268,059	$ 776,044,066	$ (61,776,007)	(8.0)%

SACRAMENTO REGIONAL TRANSIT DISTRICT
REVENUES BY SOURCE

Operating and Non-Operating Revenue by Source





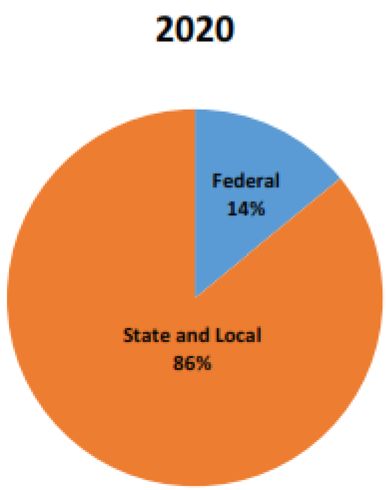
The significant changes in Operating and Non-operating Revenue by Source are described below:

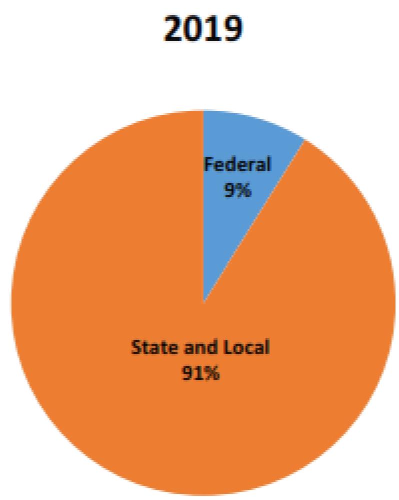
Fares, investment income, contracted services, alternative fuel and carbon tax credits and other revenue increased by a combined $7,946,018 for the fiscal year ended June 30, 2020 or 19.9 percent due to insurance proceeds on accident damaged light rail vehicles, the retroactive reinstatement of the Federal Excise Tax Refunds for Compressed Natural Gas (CNG) and new contracted services contract with the city of Elk Grove. The increase was partially mitigated by a decline in fares due to COVID-19.

Operating assistance increased by $8,899,838 or 6.2 percent for the fiscal year ended June 30, 2020 due to the effects of SacRT's Progressed Regionalism initiative which included expanded SmaRT Ride microtransit service and apportionments of the LTF generated by sales tax.

SACRAMENTO REGIONAL TRANSIT DISTRICT
REVENUES BY SOURCE

Capital Contributions by Source



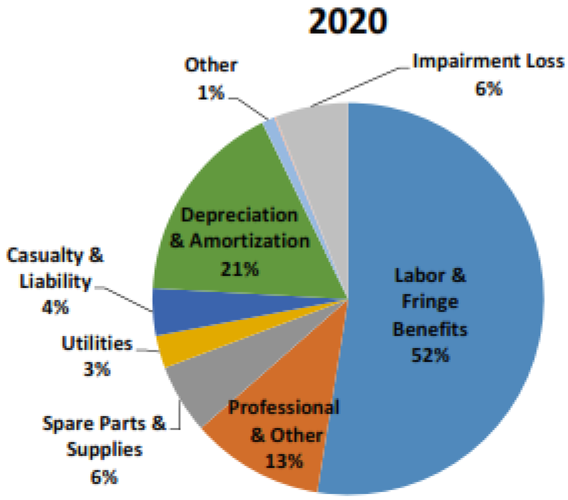


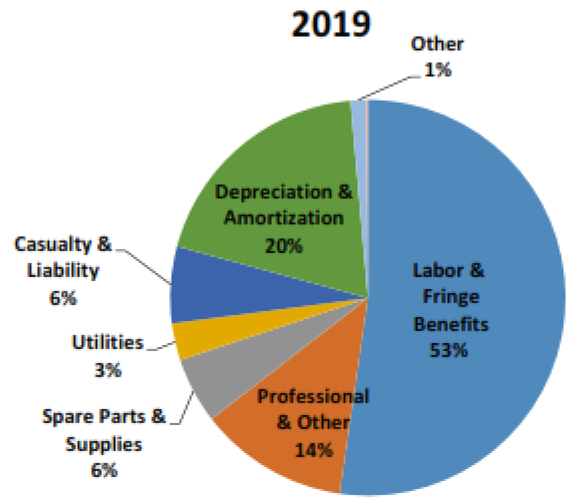
The significant changes in Capital Contributions by Source are described below:

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 increased by $5,692,583 million or 21.3 percent during the fiscal year ended June 30, 2020. The increase for the fiscal year ended June 30, 2020 is the result of the funding of new electric buses acquired through the Electrify America program and the progress payments to acquire new light rail vehicles funded by the Transit and Intercity Rail Program. The increase was partially mitigated by a decline in STA funds as SacRT earmarked more STA funding to operations from capital programs for the fiscal year ended June 30, 2020.

SACRAMENTO REGIONAL TRANSIT DISTRICT
OPERATING EXPENSES

Operating Expenses





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

Total operating costs increased by $29,845,691 or 13.4 percent for the fiscal year ended June 30, 2020. This increase is due to labor and fringe benefits costs and recording of capital asset impairments. The increase in labor and fringe benefits is due to a rise in labor costs resulting from increased service levels, new contracted service, contractual pay rate escalation, and an increase in SacRT's actuarially determined pension contribution. SacRT recorded impairment losses based on a periodic review of assets. It was determined that impairments would be recognized for the following, Expired Environmental work for the downtown to the Sacramento International Airport project, $15.3 million, Light rail vehicle 310 damaged in an accident, $1.3 million, Evergreen building with a book value of $0.6 million offset by $1.8 million of realizable insurance proceeds. The increase in operating costs was partially mitigated by a decrease in Casualty and Liability costs due to payment of a large claim in fiscal year 2019.

SACRAMENTO REGIONAL TRANSIT DISTRICT
FISCAL YEAR 2020
STATEMENT OF REVENUES AND EXPENSES BY FUNDING DESIGNATION

	FY 2020 Funding Designation		
Statement of Revenues and Expenses	Operations	Capital Improvement Program, GASB 68 & 75	Total
OPERATING REVENUES (Fares)	**$ 20,998,877**	**$ -**	**$ 20,998,877**
OPERATING EXPENSES			
Labor and Fringe Benefits	127,687,727	5,456,708	133,144,435
Professional and Other Services	22,963,580	4,959,738	27,923,318
Spare Parts and Supplies	11,490,270	3,060,048	14,550,318
Utilities	6,820,547	-	6,820,547
Casualty and Liability Costs	9,930,823	-	9,930,823
Depreciation	-	42,739,264	42,739,264
Indirect Costs Allocated to Capital Programs	(230,234)	-	(230,234)
Other	2,745,171	-	2,745,171
Impairment Loss	-	15,375,413	15,375,413
Total Operating Expenses	**181,407,884**	**71,591,171**	**252,999,055**
Loss from Operations	**(160,409,007)**	**(71,591,171)**	**(232,000,178)**
NON-OPERATING REVENUES (EXPENSES)			
Operating Assistance			
State and Local	114,879,837	-	114,879,837
Federal	35,080,314	1,638,520	36,718,834
Investment Income	3,010,464	94,907	3,105,371
Interest Expense	(2,610,901)	(2,399,392)	(5,010,293)
Pass Through to Subrecipients	-	(301,315)	(301,315)
Professional and Other Services Funded by Others	-	(74,255)	(74,255)
Contract Services	7,125,076	-	7,125,076
Alternative Fuel and Carbon Tax Credits	7,054,625	-	7,054,625
Insurance Proceeds and Other	8,662,387	938,605	9,600,992
Total Non-operating Revenues (Expense)	**173,201,802**	**(102,930)**	**173,098,872**
Gain (Loss) Before Capital Contributions	**12,792,795**	**(71,694,101)**	**(58,901,306)**
Capital Contributions			
State and Local	-	27,812,124	27,812,124
Federal	-	4,558,370	4,558,370
Total Capital Contributions	**-**	**32,370,494**	**32,370,494**
Change in Net Position	**$ 12,792,795**	**$ (39,323,607)**	**$ (26,530,812)**

The Comprehensive Annual Financial Report (CAFR) presentation differs from SacRT's operating and capital budgets in that the CAFR combines both operating and capital activities. To assist SacRT's Board and readers in their review, a Statement of Revenues and Expenses by Funding Designation is provided to show SacRT's operating and capital funds separately. As of June 30, 2020, SacRT's operating results were as follows: $20,998,877 in fare revenues, $181,407,884 in operating expenses, and $173,201,802 in non-operating revenues, resulting in a $12,792,795 operating surplus. Additional information regarding the Statement of Revenues by Funding Designation can be found in SacRT's 2020 CAFR Staff Report to the Board of Directors.

Analysis of SacRT's Financial Position

SacRT's net position provides information on near term inflows, outflows, and balances of spendable resources. SacRT is reporting net position as of June 30, 2020 of $714,268,059, an operating and capital activity decrease of $26,530,812 or 3.6 percent.

Net position at July 1, 2019 was restated by $35,245,195 to reflect the cumulative effect of a change in accounting principle due to GASB Implementation Guide 2019-1. Additional information on the change in accounting principle and other GASB implemented pronouncements can be found in Footnote 1 to the financial statements.

Capital Asset and Long-Term Debt Activity

As of June 30, 2020, SacRT's investment in various capital assets, such as bus and light rail vehicles, facilities, land, buildings and equipment decreased to $843,578,892 from $879,381,275 representing a 4.1 percent decrease as depreciation and asset impairment loss exceeded capital acquisition. Additional information on capital assets can be found in Footnote 3 to the financial statements.

SacRT's Farebox Revenue Bonds decreased by $1,038,032 due to annual bond payments for the fiscal year ended June 30, 2020 or 2.0 percent. As of June 30, 2020, the $49,628,200 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. SacRT recorded a liability and a corresponding asset of $47,338,625 as of June 30, 2020, 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.

SacRT's loan payable at June 30, 2020 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 direct borrowings can be found in Footnote 5 to the financial statements.

Current Economic Factors and Conditions

In December 2019, a novel strain of coronavirus spread around the world resulting in business and social disruption. In March 2020, the State of California issued a statewide shelter-in-place order that continues to impact the operations and business results of SacRT. Additional information on the COVID-19 pandemic's impact on SacRT can be found in Footnote 1 to the financial statements

In July 2020, SacRT was awarded a federal grant for approximately $95 million in CARES Act stimulus funds, which will offset revenue decline and additional expenses related to the COVID-19 pandemic. It was determined that SacRT did not require the use of CARES Act funding in fiscal year

2020 however, it will be using approximately $67 million in fiscal year 2021, and the balance in future years.

SacRT has plans for future expansion and improvement of light rail and bus services. As of June 30, 2020, SacRT has construction contracts and property acquisition commitments of approximately $21,804,884.

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, P.O. Box 2001, Sacramento CA 95812-2110.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION - BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
JUNE 30, 2020

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	16,642,196
Restricted Cash and Cash Equivalents		6,744,669
Investments		343,561
Receivables:		
State and Local Government		22,374,514
Federal Government		15,539,622
Other		7,038,688
Spare Parts and Supplies Inventory		24,599,990
Other Current Assets		415,714
Total Current Assets		93,698,954
Non-Current Assets:		
Restricted Cash and Cash Equivalents		20,915,906
Investments		3,130,438
Deposits for Lease/Leaseback Payable		47,338,625
Non-Depreciated Capital Assets		117,618,826
Depreciated Capital Assets, Net		725,960,066
Total Non-Current Assets		914,963,861
Total Assets		1,008,662,815
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows from Pension		35,251,811
Deferred Outflows from Other Post Employment Benefits		6,041,805
Deferred Outflows: Loss on Refunding		6,660,759
Total Deferred Outflows of Resources		47,954,375
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	1,056,617,190

See accompanying notes to the financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION - BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
JUNE 30, 2020

LIABILITIES	
Current Liabilities:	
Line of Credit	$ 9,100,000
Accounts Payable	15,919,493
Other Accrued Liabilities	4,960,647
Compensated Absences	8,234,292
Interest Payable	824,476
Unearned Revenue	1,214,644
Advances from Other Governments	2,820,922
Claims Payable	5,388,536
Loan Payable	13,988,074
Revenue Bonds	1,210,000
Total Current Liabilities	63,661,084
Long-Term Liabilities:	
Compensated Absences	1,890,815
Advances from Other Governments	13,506,613
Claims Payable	15,737,726
Revenue Bonds	48,418,200
Lease/Leaseback Payable	47,338,625
Net Pension Liability	117,230,933
Net Other Post-Employment Benefits Liability	19,882,894
Total Long-Term Liabilities	264,005,806
Total Liabilities	327,666,890
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows from Other Post Employment Benefits	4,377,574
Deferred Gain on Lease/Leaseback	6,086,561
Deferred Inflows from Pension	4,218,106
Total Deferred Inflows of Resources	14,682,241
NET POSITION	
Net Investment in Capital Assets	779,273,180
Restricted for:	
Debt Service	3,472,133
Unrestricted	(68,477,254)
Total Net Position	714,268,059
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 1,056,617,190

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, 2020

OPERATING REVENUES	
Fares	$ 20,998,877
OPERATING EXPENSES	
Labor and Fringe Benefits	133,144,435
Professional and Other Services	27,923,318
Spare Parts and Supplies	14,550,318
Utilities	6,820,547
Casualty and Liability Costs	9,930,823
Depreciation	42,739,264
Indirect Costs Allocated to Capital Programs	(230,234)
Other	2,745,171
Impairment Loss	15,375,413
Total Operating Expenses	252,999,055
Operating Loss	(232,000,178)
NON-OPERATING REVENUES (EXPENSES)	
Operating Assistance:	
State and Local	114,879,837
Federal	36,718,834
Investment Income	3,105,371
Interest Expense	(5,010,293)
Pass-Through to Subrecipients	(301,315)
Professional and Other Services-Funded	(74,255)
Contract Services	7,125,076
Alternative Fuel and Carbon Tax Credits	7,054,625
Insurance Proceeds and Other	9,600,992
Total Non-Operating Revenues	173,098,872
Loss Before Capital Contributions	(58,901,306)
Capital Contributions:	
State and Local	27,812,124
Federal	4,558,370
Total Capital Contributions	32,370,494
Decrease in Net Position	(26,530,812)
Net Position, beginning of year	776,044,066
Cumulative Effect of Change in Accounting Principle	(35,245,195)
Net Position, beginning of year - restated	740,798,871
Net Position, end of year	$ 714,268,059

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 19,787,556
Cash Received from Contract Sources	7,125,076
Cash Paid to Suppliers	(66,949,307)
Cash Paid to Employees and Employee Benefits	(127,551,216)
Cash Received from Other Sources	16,655,617
Net Cash Used in Operating Activities	(150,932,274)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and Local Receipts	113,163,210
Federal Receipts	36,718,834
Payments Pass-Through to Subrecipients	(301,315)
Advances on the Line of Credit	85,100,000
Payments on the Line of Credit	(82,200,000)
Net Cash Provided by Noncapital Financing Activities	152,480,729
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(17,629,836)
Principal Payment on Revenue Bonds	(862,500)
Interest Paid	(2,644,963)
Proceeds from Sale of Capital Assets Receipts	2,007,312
State and Local Capital Grants Receipts	21,391,950
Federal Capital Grants	3,341,498
Net Cash Provided by Capital and Related Financing Activities	5,603,461
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	974,801
Purchases of Investments	(1,043,181)
Investment Income	1,093,914
Net Cash Provided by Investing Activities	1,025,534
Net Increase in Cash and Cash Equivalents	8,177,450
Cash and Cash Equivalents, July 1	36,125,321
Cash and Cash Equivalents, June 30	$ 44,302,771
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and Cash Equivalents	$ 16,642,196
Restricted Cash and Cash Equivalents, Current	6,744,669
Restricted Cash and Cash Equivalents, Non-Current	20,915,906
Total Cash and Cash Equivalents	$ 44,302,771

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, 2020

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

Operating Loss	$ (232,000,178)
Adjustments to Reconcile Net Loss from Operations to Net Cash Used in Operating Activities:	
Depreciation	42,739,264
Impairment Loss	15,375,413
Professional and Other Services- Nonoperating Expense	(74,255)
Contract Services- Nonoperating Income	7,125,076
Miscellaneous Nonoperating Income	16,655,617
Effect of Changes in:	
Other Receivables	(787,386)
Spare Parts and Supplies Inventory	(846,838)
Other Current Assets	(403,376)
Accounts Payable and Accrued Liabilities	332,436
Compensated Absences and Other	474,537
Unearned Revenue	(423,935)
Claims Payable	(3,987,097)
Deferred Outflows from Pension	4,561,540
Net Pension Liability	2,570,325
Deferred Inflows from Pension	(1,316,117)
Deferred Outflows from Other Post Employment Benefits	(2,749,070)
Net Other Post Employment Benefit	(1,916,509)
Deferred Inflows from Other Post Employment Benefits	3,738,279
Net Cash Used in Operating Activities	$ (150,932,274)

NON-CASH INVESTING AND FINANCING ACTIVITIES

Interest Income from Investments Held to Pay Lease/Leaseback	$ 2,310,221
Interest Expense on Capital Lease/Leaseback	(2,310,221)
Capital Assets Included in Accounts Payable	8,425,236
Capital Contributions Included in Receivables	25,889,212

See accompanying notes to the financial statements

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	Pension Trust Funds	Connect Card Custodial Fund
ASSETS		
Cash and Cash Equivalents	$ 15,526,301	$ 2,014,747
Receivables:		
Securities sold	12,754,213	-
Invoiced Receivables	-	205,175
Interest and dividends	433,060	-
Other receivables and prepaids	38,327	88,247
Total Receivables	13,225,600	293,422
Investments:		
Equity securities	200,803,588	-
Fixed income securities	92,473,375	-
Total Investments	293,276,963	-
Total Assets	322,028,864	2,308,169
LIABILITIES		
Securities purchased payable	22,052,088	-
Accounts payable	1,621,428	-
Customer prepaid balances	-	1,655,340
Due to Connect Card Consortium Members	-	652,829
Total Liabilities	23,673,516	2,308,169
NET POSITION		
Restricted for Pension Benefits	298,355,348	-
Restricted for Connect Card Consortium Members	-	-
Total Net Position	$ 298,355,348	$ -

See accompanying notes to the financial statements.

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Pension Trust Funds	Connect Card Custodial Fund
ADDITIONS		
Contributions:		
Employer	$ 21,173,818	$ -
Member	1,431,505	-
Total Contributions	22,605,323	-
Investment Income:		
Net appreciation in fair value of investments	1,399,232	-
Interest, dividends, and other income	5,099,522	20,237
Investment expenses	(1,366,220)	-
Net Investment Income	5,132,534	20,237
Fares - SacRT	-	7,526,081
Fares - Others	-	3,415,935
Other	-	36
Total Additions	27,737,857	10,962,289
DEDUCTIONS		
Benefits paid to participants	26,079,127	-
Distribution to Consortium Members	-	10,081,276
Administrative expenses	688,292	881,013
Total Deductions	26,767,419	10,962,289
Increase in Net Position	970,438	-
Net Position - Beginning of Year	297,384,910	-
Net Position - End of Year	$ 298,355,348	$ -

See accompanying notes to the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Sacramento Regional Transit District (SacRT) was established in 1973 pursuant to the Sacramento Regional Transit District Act. SacRT has the responsibility to develop, maintain, and operate a public mass transit transportation system for the benefit of the residents of the Sacramento area. SacRT 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, SacRT has reviewed the criteria to determine whether other entities with activities that benefit SacRT 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 SacRT.

SacRT has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in SacRT's financial statements. In addition, SacRT is not aware of any entity that has such a relationship to SacRT that would result in SacRT being considered a component unit of that other entity.

BASIS OF PRESENTATION

The accounts of SacRT 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 SacRT. 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. SacRT’s statements are organized into the following fund types:

Proprietary Fund Type

The ***Enterprise Fund*** distinguishes operating revenues and expenses from non-operating items. SacRT'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 Types

The ***Pension Trust Funds*** are used to account for assets held by SacRT in a trustee capacity. The SacRT 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 SacRT's salaried employees.

The ***Connect Card Custodial Fund*** is used to account for assets held by SacRT for the benefit of the transit agencies who are members of the Connect Card Consortium. Connect Card is the Sacramento region's electronic transit fare payment system and the Connect Card Consortium's participating agencies include Sacramento Regional Transit, El Dorado Transit, E-tran, Placer County Transit, Roseville Transit, SCT/Link, Yolobus and Yuba-Sutter Transit.

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 fiduciary 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 fiduciary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. SacRT 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, SacRT 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 SacRT 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 consist 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, 2020, 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 SacRT's policy to capitalize all capital assets with an individual cost of more than $5,000 and a useful life in excess of one year.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Capital Assets: In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, management evaluates events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations, other changes in environmental factors, technology changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will continue to be used are written down to reflect the decline in service utility of the capital asset. Impaired capital asset that will no longer be used are reported at the lower of carrying value or fair value.

COMPENSATED ABSENCES

SacRT's policy allows employees to accumulate earned unused vacation and sick leave which can be paid to employees upon separation from SacRT. 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, SacRT uses restricted resources first.

SELF-INSURANCE AND CLAIMS PAYABLE

SacRT is self-insured up to specified limits for workers' compensation claims, general liability claims, and major property damage. SacRT accrues the estimated costs of the self-insured portion of claims in the period in which the amount of the estimated loss is incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

OTHER POST-EMPLOYMENT 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 2020, SacRT implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. As a result of implementation, SacRT reports the Connect Card program as a custodial fund on the fiduciary fund statements. The adoption of this accounting standard did not impact the beginning net position of the business-type or fiduciary activities.

In 2020, SacRT implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* which provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018. The implementation of this standard had no impact on the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle: With the release of Implementation Guide 2019-01, *Implementation Guidance Update---2019*, management changed their method of accounting for recognition of nonexchange revenue. Expenditure-driven grant provisions are determined to be a stipulation that is considered to be an eligibility requirement and as such, revenue cannot be recognized until the agreement has been executed. An adjustment to reduce business-type activities net position at July 1, 2019 by $35,245,195 was made to reflect the cumulative effect related to the change in accounting principle. The adjustment represents nonexchange revenue and receivables that were recorded for eligible expenditures incurred in the year ended June 30, 2019, but the related grant award was not executed until the year ended June 30, 2020.

Recent Event: In December 2019, a novel strain of coronavirus spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California issued a statewide shelter-in-place order that continues to have a significant impact on the operations and business results of SacRT, including decrease in ridership and fare revenues, changes in amount and timing of sales tax receipts, improvement to technology to support a virtual work environment, and increased spending on frontline employee, personal protective equipment, vehicle modifications and increased cleaning and sanitizing of vehicles and work spaces. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Management has not included any contingencies in the financial statements specific to this recent event.

In July 2020, SacRT was awarded a federal grant for approximately $95 million in CARES Act stimulus funds, which will offset revenue decline and additional expenses related to the COVID-19 pandemic. It was determined that SacRT did not require the use of CARES act funding in fiscal year 2020.

2. CASH AND INVESTMENTS

The total cash and investments as of June 30, 2020, are reported in the accompanying basic financial statements as follows:

	Enterprise Fund	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	$ 16,495,805	$ -	$ 16,495,805
Cash on hand	146,391	-	146,391
Investments	3,473,999	-	3,473,999
Total unrestricted	20,116,195	-	20,116,195
Restricted:			
Cash and cash equivalents	27,660,575	17,541,048	45,201,623
Investments	-	293,276,963	293,276,963
Total restricted	27,660,575	310,818,011	338,478,586
Total cash and investments	$ 47,776,770	$ 310,818,011	$ 358,594,781

INVESTMENTS

SacRT 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%
Other Equity Securities (7)	N/A	N/A	25% (2)	5%
Real Estate	None	N/A	None	None

(1) The fixed income portion of the ATU Plan, IBEW Plan and Salaried Plan shall be limited in duration to between 75 % and 125% of the Bloomberg Aggregate Index 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.
(7) Other Equity Securities include: rights and warrants.

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, 2020:

Enterprise Fund

	Maturities in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Total
Collateralized Mortgage Obligations	$ -	$ 239,002	$ -	$ -	$ 239,002
Corporate Bonds	172,213	553,709	-	-	725,922
Municipals	-	42,675	-	-	42,675
Asset-Backed Securities	-	204,573	-	-	204,573
U.S. Government Agency Obligations	171,348	1,331,606	-	-	1,502,954
U.S. Government Issued Obligations	-	758,873	-	-	758,873
Total Enterprise Fund	$ 343,561	$ 3,130,438	$ -	$ -	$ 3,473,999

Fiduciary Funds

	Maturities in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Total
Collateralized Mortgage Obligations	$ -	$ -	$ -	$ 4,316,376	$ 4,316,376
Corporate Bonds	1,150,675	10,940,795	6,334,523	12,421,814	30,847,807
Municipal Bonds	-	-	-	735,629	735,629
U.S. Government Agency Obligations	257,441	164,321	12,510	35,405,207	35,839,479
U.S. Government Issued Obligations	-	6,110,861	3,017,335	3,138,095	12,266,291
Asset-Backed Securities	-	562,765	1,440,777	6,464,251	8,467,793
Total Fiduciary Fund	$ 1,408,116	$ 17,778,742	$ 10,805,145	$ 62,481,372	$ 92,473,375

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. SacRT 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, 2020, SacRT held callable bonds in the amount of $271,524. The Pension Trust Funds held callable bonds in the amount of $24,570,092.

INVESTMENT IN STATE INVESTMENT POOL AND CALTRUST

SacRT 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 SacRT’s investment in this pool is reported in the accompanying financial statements at amounts based upon the SacRT’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. SacRT's total investment in the LAIF at June 30, 2020, was $7,836,797.

SacRT 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. SacRT's investments in CalTRUST are measured at net asset value (NAV), as described on page 35. As of June 30, 2020, SacRT's investments in CalTRUST were $29,459,891, 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. SacRT's investments in LAIF and CalTRUST external investment pools are not rated.

For the fiscal year ending June 30, 2020, 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, 2020:

Moody's Ratings	Enterprise Fund Amount	Percentage of Portfolio
Not rated	$ 324,402	9.34%
Aaa/Aaa-mf/P1	2,426,472	69.85%
Aa1	77,229	2.22%
Aa2	42,675	1.23%
Aa3	43,558	1.25%
A1	168,607	4.85%
A2	224,431	6.46%
A3	166,625	4.80%
	$ 3,473,999	100.00%

Moody's Ratings	Fiduciary Funds Amount	Percentage of Portfolio
Not Applicable	$ 200,803,588	68.49%
Not rated	41,082,100	14.01%
Aaa	16,369,284	5.58%
Aa1	904,268	0.31%
Aa2	852,322	0.29%
Aa3	1,244,081	0.42%
A1	1,163,597	0.40%
A2	3,687,332	1.26%
A3	2,822,106	0.96%
Baa1	4,911,051	1.67%
Baa2	6,575,718	2.24%
Baa3	5,550,000	1.89%
Ba1	1,827,811	0.62%
Ba2	1,477,331	0.50%
Ba3	899,991	0.31%
B1	689,030	0.23%
B2	480,133	0.16%
B3	724,078	0.25%
Caa1	148,235	0.05%
Caa2	39,998	0.01%
WR	1,024,909	0.35%
Total	$ 293,276,963	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 SacRT contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2020, SacRT had the following investments in one issuer that comprised more than 5% of total investments in a single issuer:

Federal National Mortgage Association	$	751,826
Federal Home Loan Mortgage Corporation		564,814
Federal Home Loan Bank		425,315

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, 2020, the Plans had the following investments in one issuer that comprised more than 5% of Plan investments:

Federal National Mortgage Association	$	14,800,413

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, 2020, $3,402,748 of SacRT's deposits and $2,006,443 of the Custodial Fund'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 SacRT'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, 2020, SacRT 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 SacRT's name.

FOREIGN CURRENCY RISK

The current SacRT 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, 2020, SacRT 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. As of June 30, 2020, the Pension Trust Funds do not have any deposits or investments in a foreign currency.

FAIR VALUE MEASUREMENTS

SacRT 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. SacRT had the following recurring fair value measurements as of June 30, 2020:

2. CASH AND INVESTMENTS (Continued)

Investments measured at fair value

	6/30/2020	Level 1	Level 2	Level 3
Enterprise fund				
Debt securities				
Collateralized mortgage obligations	$ 239,002	$ -	$ 239,002	$ -
Corporate bonds	725,922	-	725,922	-
Municipals	42,675	-	42,675	-
Asset backed securities	204,573	-	204,573	-
U.S. Government Agency obligations	1,502,954	-	1,502,954	-
U.S. Government issued obligations	758,873	-	758,873	-
Carbon credits (LCFS/RIN)*	527,000	527,000	-	-
Total enterprise fund	4,000,999	527,000	3,473,999	-
Fiduciary funds				
Debt securities				
Collateralized mortgage obligations	4,316,376	-	4,316,376	-
Corporate bonds	30,847,807	-	30,847,807	-
Municipals	735,629	-	735,629	-
U.S. Government Agency obligations	35,839,479	-	35,839,479	-
U.S. Government issued obligations	12,266,291	-	12,266,291	-
Asset backed obligations	8,467,793	-	8,467,793	-
Equity securities				
Common stock	70,418,580	70,418,580	-	-
Depository receipts	999,992	999,992	-	-
Real estate investment trust	266,848	266,848	-	-
Rights/Warrants	571	571	-	-
Total fiduciary fund	164,159,366	71,685,991	92,473,375	-
Total investments measured at fair value	$ 168,160,365	$ 72,212,991	$ 95,947,374	$ -

Investments measured at the net asset value (NAV)

Fiduciary funds	
S&P 500 Index Fund	52,802,330
MSCI EAFE Index Fund	13,671,689
International Equity Fund	28,350,682
International Small Capital Equity Fund	15,246,762
International Emerging Markets Fund	19,046,134
Total Investments	$ 129,117,597

*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)	$ 29,459,891	$ -	Daily	1 day
Fiduciary funds				
S&P 500 Index Fund (2)	52,802,330	-	Daily	1 day
MSCI EAFE Index Fund (3)	13,671,689	-	Semi-monthly	6-8 days
International Equity Fund (4)	28,350,682	-	Monthly	7 days
International Small Capital Equity Fund (5)	15,246,762	-	Monthly	2 days
International Emerging Markets Fund (6)	19,046,134	-	Daily	1 day
Total fiduciary fund	129,117,597			
Total investments measured at NAV	$ 158,577,488			

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

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

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

2. CASH AND INVESTMENTS (Continued)

4. International Equity Fund. This type includes an investment in an International Equity Fund that seeks total return from long-term capital growth and income, while attempting to outperform the MSCI EAFE Index over a market cycle, gross of fees. The fair value of the investment in this type has been determined using the NAV per unit of the investment. 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, 2020, cash and investments include restricted amounts of $27,660,575. Amounts represent monies restricted for debt reserve requirements and capital projects of $4,395,257 developer fee projects of $12,310,258, and grantor-approved projects of $10,955,060.

Fiduciary Funds

At June 30, 2020, restricted cash and investments of the Fiduciary Funds totaled $310,818,011. Amounts represent funds restricted for employees' retirement of $308,803,264 and Connect Card consortium members of $2,014,747.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Transfers	Deletions	Balance June 30, 2020
Non-Depreciated Capital Assets					
Land*	$ 89,420,314	$ 172,652	$ -	$ (1,048,807)	$ 88,544,159
Construction in Progress	34,278,739	12,121,949	(2,002,862)	(15,323,159)	29,074,667
Total Non-Depreciated Capital Assets	123,699,053	12,294,601	(2,002,862)	(16,371,966)	117,618,826
Depreciated Capital Assets					
Buildings and Improvements*	977,748,258	496,885	95,795	(889,091)	977,451,847
Buses and Other Equipment	348,530,868	12,811,628	1,907,067	(1,829,639)	361,419,924
Total Depreciated Capital Assets	1,326,279,126	13,308,513	2,002,862	(2,718,730)	1,338,871,771
Accumulated Depreciation:					
Buildings and Improvements	(368,862,360)	(24,726,221)	-	285,991	(393,302,590)
Buses and Other Equipment	(201,734,544)	(18,432,806)	-	558,235	(219,609,115)
Total Accumulated Depreciation	(570,596,904)	(43,159,027)	-	844,226	(612,911,705)
Capital Assets Being Depreciated, Net	755,682,222	(29,850,514)	2,002,862	(1,874,504)	725,960,066
Capital Assets, Net	$ 879,381,275	$ (17,555,913)	$ -	$ (18,246,470)	$ 843,578,892

*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 SacRT receiving future Fee Simple title. On January 5, 2007, a net lease and purchase agreement was recorded, giving SacRT 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, SacRT 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 SacRT 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.

SacRT and Los Rios have agreed to make joint use of the parking structure and adjacent surface parking. SacRT'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)

Asset Impairments – SacRT periodically reviews its capital assets for possible impairment, defined as a significant, unexpected decline in the service utility of a capital asset. SacRT recorded impairments of $15,375,413, net of realizable insurance proceeds of $1,802,350 in fiscal year 2020 as an operating expense.

As part of its capital program, SacRT incurs costs to perform environmental impact report, preliminary engineering and design services for its capital improvement projects. These costs are included in capital assets as Construction in Progress. On occasion, the actual construction of the projects may not occur due to a change in plans or the availability of funding. While SacRT continues to plan to move forward with its anticipated $1 billion light rail extension from downtown Sacramento to the Sacramento International airport in full or part, SacRT expensed $15,303,259 in environmental impact report services and other project costs due to the age and lack of continued usability of the environmental work performed.

Light rail vehicle 310 was involved in a collision in August 2019. Due to concerns about meeting safety requirements as well as ongoing reliability issues, SacRT elected to forego the repair and expensed the remaining net book value of the vehicle of $1,271,404.

In June 2020, SacRT's Evergreen building was damaged by fire resulting in a total loss. SacRT expensed the building's remaining book value of $603,100 and recognized realizable insurance proceeds of $1,802,350.

4. LEASES

OPERATING LEASES

SacRT leases buildings, parking lots, and office facilities under non-cancelable operating leases which expire through May 2029. Total cost for such leases was $237,062 for the fiscal year ended June 30, 2020. The future minimum lease payments for these leases are as follows:

Year Ending June 30		Amount
2021	$	231,531
2022		223,019
2023		159,600
2024		159,600
2025		159,600
Thereafter		625,100
Total	$	1,558,450

CAPITAL LEASES

FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK

In December 2005, January 2006, and September 2007, SacRT 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 SacRT (the “Sublease”). Under the Sublease agreements, SacRT retains the right to use the light rail vehicles and is also responsible for their continued maintenance and insurance. Each Sublease Agreement provides SacRT 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. SacRT received an aggregate of $223,880,000 from the equity investor in full prepayment of the Head Leases. SacRT deposited a portion of the prepaid Head Lease payments with debt payment undertakers whose repayment obligations were guaranteed by American International Group Inc. (“AIG”). SacRT 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 SacRT's obligations under the Subleases, management believes that these transactions were structured in such a way that it was not probable that SacRT would need to access other monies to make Sublease payments.

4. LEASES (Continued)

In addition, SacRT 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 SacRT of $11,820,731, which was deferred and is being amortized over the lives of the Subleases. In the fiscal year ending June 30, 2020, SacRT amortized $419,763 of such deferred gain. At June 30, 2020, SacRT had a balance of $6,086,561 as deferred gain on the lease/leaseback transactions. SacRT'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 SacRT 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 SacRT's remaining replacement obligations to one year. No payments under the debt payment undertaking agreements remain.

Under the terms of the July 2011 restructuring, SacRT 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, SacRT 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, SacRT 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, SacRT 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, 2020, the balance of this deposit was $47,338,625.

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
2021	$ -
2022	-
2023	-
2024	-
2025	-
2026-2030	3,163,610
2031-2035	11,611,558
2036	83,156,922
Total future minimum payments	97,932,090
Less: imputed interest	(50,593,465)
Present value of minimum lease payments	$ 47,338,625

5. DIRECT BORROWINGS

LINE OF CREDIT

For the purpose of short-term borrowing needs, SacRT has an unsecured line of credit (LOC) agreement with U.S. Bank National Association. The purpose of the line of credit is to meet SacRT'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 30, 2021. The interest rate for the LOC with U.S. Bank for the used portion of the LOC was at LIBOR plus 1.25% and the unused portion was a fixed 0.45% for the fiscal year ending June 30, 2020.

As of June 30, 2020, SacRT 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 direct borrowing contains (1) a provision that in event insolvency the LOC is automatically terminated and (2) a provision that in an event of default, the LOC can be immediately terminated or the timing of repayment of outstanding amounts become immediately due if SacRT is unable to make payment; SacRT's farebox recovery ratio falls below the California Transportation Development Act requirements; SacRT does not maintain a net operating ratio for the most recently ended four consecutive fiscal quarters equal to at least 0.95:1; SacRT does not maintain a fixed charge coverage ratio for the most recently ended fiscal year equal to at least 1.15:1; SacRT does not maintain unrestricted liquidity in an amount at least equal to $9,000,000, consisting of at least $4,500,000 in cash on hand and the balance of the $9,000,000 in cash and/or LOC availability; or any senior Farebox Obligation rating is withdrawn or suspended or fall below "BBB" by S&P, "Baa2" by Moody's or "BBB" by Finch.

SacRT's LOC contains a subjective acceleration clause that allows the lender to immediately terminate the LOC or accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

Short-term debt activity for the fiscal year ended June 30, 2020, was as follows:

	7/1/2019	Draws	Repayments	6/30/2020
Line of Credit	$ 6,200,000	$ 85,100,000	$ (82,200,000)	$ 9,100,000

The unused LOC balance at June 30, 2020 was $17,900,000.

LOANS PAYABLE

Loans payable at June 30, 2020, 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 (FTA) 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 litigation has been concluded and the FTA approved an amendment to the grant to enable SacRT to draw down the grant funds needed to repay the loan.

5. DIRECT BORROWINGS (Continued)

Under the terms of the loan agreement, once SacRT receives the funds, it must repay the loan on or before 60 days after it receives the 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, 2020, the principal balance of the PTA loan was $13,988,074 and accrued interest was $251,053.

As of June 30, 2020, direct borrowings debt service requirements to maturity are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2021	$ 13,988,074	$ 251,053	$ 14,239,127
Total	$ 13,988,074	$ 251,053	$ 14,239,127

6. LONG-TERM DEBT

FAREBOX REVENUE BONDS (Revenue Bonds), SERIES 2012

In November 2012, SacRT 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 SacRT'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 SacRT and are secured solely by a pledge of farebox revenues through 2042. Annual principal and interest payments on the bonds are expected to require less than 19% of farebox revenue. The total principal and interest remaining to be paid on the bonds is $75,500,200. Principal and interest paid for the current year and total farebox revenues were $2,574,075 and $20,998,877, respectively.

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 SacRT, 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, 2020, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
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	1,400,000	2,034,100	3,434,100
2025	1,465,000	1,964,100	3,429,100
2026-2030	8,520,000	8,644,000	17,164,000
2031-2035	10,765,000	6,390,200	17,155,200
2036-2040	13,480,000	3,670,750	17,150,750
2041-2042	6,385,000	482,750	6,867,750
Total	$ 45,825,000	$ 29,675,200	$ 75,500,200

As of June 30, 2020, the unamortized premium associated with the Revenue Bonds was $3,803,200. The amortization of the premium for fiscal year ended June 30, 2020, was $175,532 and was amortized to interest expense.

The debt indenture contains financial covenants including requirements for punctual payments to sinking funds, minimum amounts to be maintained in sinking funds, an annual balanced budget and submission of audited financial statements to the trustee within 210 days after the end of each fiscal year. As of June 30, 2020, SacRT was in compliance with all financial covenants of the Farebox Revenue Bonds.

6. LONG-TERM DEBT (Continued)

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due within One Year
Other Debt					
2012 Revenue Bonds	$ 46,687,500	$ -	$ (862,500)	$ 45,825,000	$ 1,210,000
Issuance Premium	3,978,732	-	(175,532)	3,803,200	
Total 2012 Revenue Bonds	50,666,232	-	(1,038,032)	49,628,200	1,210,000
Direct Borrowings					
Loans Payable	13,988,074	-	-	13,988,074	13,988,074
Other Long-Term Liabilities					
Compensated Absences	10,257,076	8,151,792	(8,283,761)	10,125,107	8,234,292
Advances from Other Governments	16,947,586	7,697,362	(8,317,413)	16,327,535	2,820,922
Claims Payable	25,113,359	6,003,245	(9,990,342)	21,126,262	5,388,536
Lease/Leaseback Payable	45,028,404	2,310,221	-	47,338,625	-
Long-Term Liabilities	$ 162,000,731	$ 24,162,620	$ (27,629,548)	$ 158,533,803	$ 31,641,824

7. FUNDING SOURCES

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

FEDERAL GRANTS

Federal grant funding is obtained from the Federal Transit Administration (FTA) and Department of Homeland Security. Federal funding for the fiscal year ended June 30, 2020, is comprised of the following:

Operating assistance grants:	
FTA Section 5307	$ 23,588,946
FTA Section 5337	13,064,129
Dept of Homeland Security	65,759
Total Federal operating assistance grants	36,718,834
Capital grants:	
FTA Section 5307	4,027,749
FTA Section 112	145,267
FTA Section 5304	88,294
FTA Section 5309	48,812
FTA Section 5337	34,273
FTA Section 5339	2,073
Federal Highway Administration	211,902
Total Federal capital grants	4,558,370
Total Federal operating and capital grants	$ 41,277,204

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, including operating activities defined as capital projects, must be matched 20% with local contributions.

7. FUNDING SOURCES (Continued)

STATE AND LOCAL GRANTS

SacRT qualifies for and receives distributions from Local Transportation Funds, State Transit Assistance and Senate Bill 1 State of Good Repair 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, 2020, is comprised of the following:

Operating assistance grants:	
Local Transportation Funds	$ 51,729,305
Measure A Sales Tax Revenue	46,714,046
State Transit Assistance	12,778,564
Low Carbon Transit Operations Program	3,657,922
Total state and local operating assistance grants	114,879,837
Capital grants:	
Electrify America LLC	5,554,399
Proposition 1B	5,285,436
Traffic Congestion Relief Program	4,948,294
Transit and Intercity Rail Program	4,296,243
State Transit Assistance	3,902,695
Proposition 1A	1,152,997
Senate Bill 1 - Local Partnership Program	813,118
Developer Fees	648,053
California Department of Transportation	416,212
Senate Bill 1 - State of Good Repair	335,379
Sacramento Housing and Redevelopment	288,657
City of West Sacramento	148,556
Other	22,085
Total state and local capital grants	27,812,124
Total state and local grants	$ 142,691,961

7. FUNDING SOURCES (Continued)

ADVANCES FROM OTHER GOVERNMENTS

Advances from other governments at June 30, 2020, consisted of the following:

Developer Fees	$ 12,181,894
Proposition 1B	1,554,129
Sacramento County	1,208,113
Insurance Proceeds	692,410
Environmental Council of Sacramento (ECOS)	337,942
Sacramento Municipal Utility District	271,875
Sacramento Emergency Clean Air & Transportation (SECAT)	51,273
Low Carbon Operations Transit Program	22,902
Other	6,997
Total advances from other governments	$ 16,327,535

The advances from other governments is restricted cash from grants, fees from area developers designated specifically for transit improvements, and insurance 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, 2020, was as follows:

Revenues	$ 4,545,419
Expenditures:	
Paratransit Vehicles	(3,832,546)
Replace Non-Revenue Vehicles	(329,577)
UTDC Retrofit	(156,032)
Bus Maintenance Facility	(114,061)
CAD/AVL Equipment	(111,575)
LRT Crossing Enhancements	(1,628)
Net Activity	$ -

8. FARE RECOVERY RATIO

SacRT 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, SacRT 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 SacRT is calculated as follows for the fiscal year ended June 30, 2020:

Fare Revenues	$	20,998,877
Local Fund Supplementation		
(Measure A)		25,614,600
Total Revenues	$	46,613,477
Operating Expenses	$	252,999,055
Less Allowable Exclusions:		
Depreciation		(42,739,264)
Paratransit Operations		(7,592,501)
Net Operating Expenses	$	202,667,290
Fare Revenue Ratio		23.00%

9. PENSION PLANS

DESCRIPTION OF PLANS

SacRT 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:
    - Operating Engineers Local 3 which remain under the Administrative Employees' Association (AEA),
    - Management and Confidential Employees Group (MCEG), and
    - American Federation of State, County and Municipal Employees (AFSCME), which is further broken down into the following groups for bargaining and contract purposes:
        - AFSCME-Technical
        - AFSCME-Supervisors

The plans are administered by SacRT 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. SacRT'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; SacRT Management by a member from SacRT's Board of Directors and General Manager, and two members from the represented group. Each Board member serves a four-year term, with no limit on the amount of terms that can be served. The ATU, IBEW and Salaried Plans issue a publicly available combined financial report that includes audited financial statements and required supplementary information. The report may be obtained by writing to Sacramento Regional Transit District, Attention: Chief Financial Officer, P.O. Box 2110, Sacramento, CA 95812, or online at www.sacrt.com.

Plan 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 30, 2014, Tier 2 consists of all employees hired on or after December 31, 2014.
- ATU – Tier 1 consists of all employees hired on or before December 31, 2014, Tier 2 consists of all employees hired on or after January 1, 2016, Tier 3 consists of all employees hired during the time period January 1, 2015 to December 31, 2015.
- AEA, MCEG, and AFSCME-Supervisors – Tier 1 consists of all employees hired on or before December 30, 2014, Tier 2 consists of all employees hired on or after December 31, 2014.

Tier 1 and Tier 3 are closed to new entrants as all newly hired employees will be placed into the respective Tier 2 plans.

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

9. PENSION PLANS (Continued)

BENEFITS PROVIDED

Contributions to the ATU, IBEW and Salaried Plans are authorized or amended by the Retirement Boards based on an actuarial basis. The authority under which benefit provisions are established and amended rests with SacRT'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 SacRT, cannot be transferred to another job with SacRT, 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, 2020, consisted of:

Retirees and beneficiaries currently receiving benefits	954
Terminated members entitled to but not yet collecting benefits	95
Current active members	992
	2,041

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, 2020.

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, 2020.

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, 2020.

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, 2020, SacRT made contributions to the ATU, IBEW, and Salaried Plan of $8,783,426, $3,230,879, and $9,159,513, 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, 2020:

Table 3

	Tier 1		Tier 3	
Employee Group	**Employer**	**Employee**	**Employer**	**Employee**
ATU	27.78%	-	24.78%	3.00%
IBEW	24.73%	-	-	-
AEA, MCEG and AFSCME	35.41%	-	-	-

As of January 1, 2015, all new employees were required to contribute to their pension based upon the terms of the bargaining groups MOU or based on PEPRA. Table 4 presents the employer and employee contribution rates for Tier 2 employees as of June 30, 2020:

Table 4

	Tier 2	
Employee Group	**Employer**	**Employee**
ATU	20.53%	7.25%
IBEW	18.73%	6.00%
AEA, MCEG and AFSCME	29.66%	5.75%

The employee contributions to the ATU, IBEW, and Salaried Plan for the fiscal year ended June 30, 2020, were $766,861, $304,593, and $360,051, respectively.

The employee contribution rates calculated in compliance with PEPRA, for June 30, 2020, were actuarially determined as part of the valuations dated July 1, 2018. 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

SacRT's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and projected to June 30, 2019 for the ATU, IBEW and Salaried Plans. Update procedures were used to roll forward the total pension liability to the measurement date.

Actuarial Assumptions – The total pension liability measured as of June 30, 2019 was determined using the following actuarial assumptions, applied to all periods included in the measurement for the ATU, IBEW, and Salaried Plans.

Inflation	3.00%
Amortization growth rate	3.00%
Salary Increases	3.00%, plus merit component
Investment Rate of Return	7.25%, net of investment expense
Discount Rate	7.25%

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-2015 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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2015, except for the economic assumptions, which were updated by the Retirement Boards for the July 1, 2017 valuation as a result of an analysis completed in 2017.

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%	8.35%
Domestic Equity Small Cap	8.00%	9.25%
International Equity Developed	19.00%	8.70%
International Equity Emerging Markets	6.00%	10.25%
Domestic Fixed Income	25.00%	2.75%
Real Estate	10.00%	7.05%
Total	100.00%	

Discount rate – The discount rate used to measure the total pension liability was 7.25%. 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 SacRT 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, 2020:

Table 5

	ATU Plan Increase (Decreases)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 7/1/2019	$ 177,856,961	$ 133,178,109	$ 44,678,852
Changes for the year:			
Service cost	5,084,840	-	5,084,840
Interest	12,664,533	-	12,664,533
Differences between expected and actual experience	(519,304)	-	(519,304)
Changes of assumptions	(172,948)	-	(172,948)
Contributions - employer	-	8,533,307	(8,533,307)
Contributions - member	-	493,597	(493,597)
Change in bargaining group	(314,880)	(343,707)	28,827
Net investment income	-	8,012,792	(8,012,792)
Benefit payments, including refunds of employee contributions	(11,545,372)	(11,545,372)	-
Administrative expense	-	(279,016)	279,016
Net Changes	5,196,869	4,871,601	325,268
Balances at 6/30/2020	$ 183,053,830	$ 138,049,710	$ 45,004,120

9. PENSION PLANS (Continued)

Table 6 below presents the changes in the net pension liability for the IBEW Plan as of June 30, 2020:

Table 6

	IBEW Plan Increase (Decreases)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 7/1/2019	$ 76,138,493	$ 57,166,577	$ 18,971,916
Changes for the year:			
Service cost	1,792,845	-	1,792,845
Interest	5,449,300	-	5,449,300
Differences between expected and actual experience	499,642	-	499,642
Changes of assumptions	(98,047)	-	(98,047)
Contributions - employer	-	3,299,013	(3,299,013)
Contributions - member	-	209,531	(209,531)
Net investment income	-	3,482,632	(3,482,632)
Benefit payments, including refunds of employee contributions	(3,779,076)	(3,779,076)	-
Administrative expense	-	(229,569)	229,569
Net Changes	3,864,664	2,982,531	882,133
Balances at 6/30/2020	$ 80,003,157	$ 60,149,108	$ 19,854,049

9. PENSION PLANS (Continued)

Table 7 below presents the changes in net pension liability for the Salaried Plan as of June 30, 2020:

Table 7

	Salaried Plan Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 7/1/2019	$ 144,139,929	$ 93,130,089	$ 51,009,840
Changes for the year:			
Service Cost	3,831,831	-	3,831,831
Interest	10,288,390	-	10,288,390
Differences between expected and actual experience	1,215,057	-	1,215,057
Changes of assumptions	(17,295)	-	(17,295)
Contributions - employer	-	8,503,815	(8,503,815)
Contributions - member	-	193,293	(193,293)
Change in bargaining group	474,438	343,707	130,731
Net investment income	-	5,649,123	(5,649,123)
Benefit payments, including refunds of employee contributions	(8,373,494)	(8,373,494)	-
Administrative expense	-	(260,441)	260,441
Net Changes	7,418,927	6,056,003	1,362,924
Balances at 6/30/2020	$ 151,558,856	$ 99,186,092	$ 52,372,764

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, 2020:

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 7/1/2019	$ 398,135,383	$ 283,474,775	114,660,608
Changes for the year:			
Service Cost	10,709,516	-	10,709,516
Interest	28,402,223	-	28,402,223
Changes of benefits	-	-	-
Differences between expected and actual experience	1,195,395	-	1,195,395
Changes of assumptions	(288,290)	-	(288,290)
Contributions - employer	-	20,336,135	(20,336,135)
Contributions - member	-	896,421	(896,421)
Changes in Bargaining Group	159,558	-	159,558
Net investment income	-	17,144,547	(17,144,547)
Benefit payments, including refunds of employee contributions	(23,697,942)	(23,697,942)	-
Administrative expense	-	(769,026)	769,026
Net Changes	16,480,460	13,910,135	2,570,325
Balances at 6/30/2020	$ 414,615,843	$ 297,384,910	$ 117,230,933

There are no special funding situations for the ATU, IBEW or Salaried Plans for the fiscal year ending June 30, 2020.

9. PENSION PLANS (Continued)

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of SacRT, calculated using the discount rate of 7.25%, as well as what SacRT's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
SacRT's net pension liability:			
ATU Plan	$ 63,485,360	$ 45,004,120	$ 29,176,669
IBEW Plan	28,530,933	19,854,049	12,469,318
Salaried Plan	69,844,636	52,372,764	37,371,579
Total	$ 161,860,929	$ 117,230,933	$ 79,017,566

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 SacRT for the ATU, IBEW and Salaried Plans for the fiscal year ended June 30, 2020, was $11,153,784, $5,135,319 and $10,700,463 respectively, totaling $26,989,566. At June 30, 2020, SacRT 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	$ 1,775,337	$ -
IBEW Plan	736,445	-
Salaried Plan	834,327	-
Differences between expected and actual experience:		
ATU Plan	-	3,016,739
IBEW Plan	1,609,864	665,159
Salaried Plan	2,664,568	170,408
Changes of assumptions:		
ATU Plan	3,394,787	138,358
IBEW Plan	1,416,699	78,438
Salaried Plan	1,645,966	149,004
Total of deferred outflows and inflows of resources before employer contributions	14,077,993	4,218,106
Employer contributions subsequent to the measurement date of the net pension liability:		
ATU Plan	8,783,426	-
IBEW Plan	3,230,879	-
Salaried Plan	9,159,513	-
Total employer contributions	21,173,818	-
Total deferred outflows and inflows of resources	$ 35,251,811	$ 4,218,106

9. PENSION PLANS (Continued)

Deferred outflows of resources resulting from contributions made subsequent to the measurement date in the amount of $21,173,818 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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
2020	$ 1,928,149	$ 1,553,522	$ 2,467,040	$ 5,948,711
2021	(1,130,051)	432,537	1,544,304	846,790
2022	1,046,780	824,208	593,094	2,464,082
2023	170,149	209,144	221,010	600,303
Total	$ 2,015,027	$ 3,019,411	$ 4,825,448	$ 9,859,886

PAYABLE TO THE PENSION PLAN

At June 30, 2020, there is no payable to the Plans as SacRT paid all contributions required for the fiscal year ended June 30, 2020.

10. OTHER POST-EMPLOYMENT BENEFITS

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description - SacRT's defined benefit OPEB plan provides OPEB under provisions of District Personnel Rules and Procedures, Collective Bargaining Agreements and certain California Public Employees' Retirement System (CalPERS) requirements for active and retired members of OE3, AFSCME, MCEG, ATU, and IBEW. SacRT 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 SacRT's plan. The funds in the CERBT are administered by CalPERS as an agent multiple-employer plan. Benefit provisions are established and may be amended by SacRT labor agreements which are approved by the Board of Directors.

Benefits Provided - SacRT provides medical care benefits for active and retired members of OE3, AFSCME, MCEG, ATU, and IBEW. SacRT also provides dental care and life insurance benefits to active and retired members of the OE3, AFSCME, and MCEG. The benefits are mandated by contracted agreements between SacRT 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 SacRT. 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.

SacRT contributes 90% or 92% of the cost for retired members of OE3, AFSCME, and MCEG hired after 1993, and 100% for plan members hired prior to 1994. SacRT 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, 2020 the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	648
Terminated members entitles to bu not yet collecting benefits	88
Current active members	1,228
	1,964

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Contributions - The obligation of SacRT to contribute to the plan is established by the Board of Directors. SacRT currently prefunds the OPEB plan at 100% of the actuarially determined contribution. For the year ended June 30, 2020, SacRT's contribution was $3,134,146. Employees are not required to contribute to the plan.

NET OPEB LIABILITY

SacRT's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods in the measurement. The following changes to actuarial assumptions were made between the fiscal year ending June 30, 2019 and June 30, 2020 for the OPEB plan: the inflation rate decreased from 2.75% to 2.50%, salary increases declined from 3.25% to 3.00%, investment rate of return decreased from 7.00% to 6.75%, usage of the Getzen model for medical cost trend, and a decrease in PEMHCA minimum and dental premium trend from 4.50% to 4.00%.

General Inflation Rate	2.5 percent
Salary increases	3.0 percent
Investment rate of return	6.75 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Medical: Getzen model Dental and required PEMHCA minimum employer contribution: 4.0% per year

Mortality rates were based on the MacLeod Watts Scale 2018 which was developed by SacRT's actuary from a blending of data and methodologies found in two published sources: (i) the Society of Actuaries Mortality Improvement Scale MP-2017 Report, published in October 2017 and (ii) the demographic assumptions used in the 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published July 2017.

Demographic actuarial assumptions used in the June 30, 2019 valuation were based on the July 1, 2015 valuations of the retirement plans covering SacRT employees and are based on the 2016 actuarial experience study of SacRT's retirement plans using data from 2011 to 2015, except for a different basis (MacLeod Watts Scale 2018) 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 expected 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 combined 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	59%	5.98%
Fixed Income	25%	2.62%
REITs	8%	5.00%
Treasury Inflation Protected Securities	5%	1.46%
Commodities	3%	2.87%
	100%	

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75 percent. The discount rate decreased from 7.00 percent from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that SacRT 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 7/1/2018	$ 49,924,076	$ 28,670,623	$ 21,253,453
Changes for the year:			
Service cost	1,556,281	-	1,556,281
Interest	3,514,022	-	3,514,022
Differences between expected and actual experience	(3,752,353)	-	(3,752,353)
Changes of assumptions	2,376,944	-	2,376,944
Contributions - employer	-	3,292,735	(3,292,735)
Net investment income	-	1,778,876	(1,778,876)
Benefit payments	(2,560,076)	(2,560,076)	-
Administrative expense	-	(6,158)	6,158
Net Changes	1,134,818	2,505,377	(1,370,559)
Balances at 6/30/2019	$ 51,058,894	$ 31,176,000	$ 19,882,894

* Based on 2018 Capital Market Assumptions per CalPERS CERBT Program

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 SacRT, as well as what SacRT's net OPEB liability would be if it were calculated used a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current discount rate:

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Net OPEB liability	$ 26,237,248	$ 19,882,894	$ 14,563,595

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability of SacRT, as well as what SacRT's net OPEB liability would be if it were calculated used a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Current Trend -1.0%	Current Trend Getzen Model Medical / 4.0% Dental	Current Trend +1.0%
Net OPEB liability	$ 14,221,258	$ 19,982,894	$ 26,770,612

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, 2020, SacRT recognized OPEB expense of $2,752,796. At June 30, 2020, SacRT 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
Changes of assumptions	$ 2,907,659	$ 940,425
Differences between expected and actual experience	-	3,198,276
Net difference between projected and actual earnings on OPEB Plan Investments	-	238,873
Contributions Made Subsequent to the measurement date	3,134,146	-
	$ 6,041,805	$ 4,377,574

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The $3,134,146 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending on June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in the future years as follows:

Year Ending June 30		Deferred Inflows of Resources
2021	$	(291,295)
2022		(291,299)
2023		(140,078)
2024		(93,669)
2025		(144,367)
Thereafter		(509,207)
Total	$	(1,469,915)

11. SELF-INSURANCE

SacRT 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, 2020:

Type of Coverage	Self-insurance (per occurrence)	Excess Commercial Insurance Coverage (per occurrence)
Workers' Compensation	Up to $2,000,000	$2,000,000 to $25,000,000
Commercial General Liability		
Bus	Up to $2,000,000	$2,000,000 to $100,000,000
Light Rail	Up to $2,000,000	$2,000,000 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

SacRT 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 $21,126,262 reported at June 30, 2020, 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, 2020, the Public Liability and Property Damage (PLPD) liability is discounted using a discount factor of 1.0% as SacRT holds in a reserve fund of $3,387,643 at June 30, 2020. 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 SacRT's claims liability amount during the fiscal years ended June 30, 2020 and 2019, 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, 2020	$ 25,113,359	$ 6,003,245	$ (9,990,342)	$ 21,126,262
June 30, 2019	$ 17,992,627	$ 11,357,784	$ (4,237,052)	$ 25,113,359

12. CONTINGENT LIABILITIES AND COMMITMENTS

SacRT is involved in various claims and litigation arising from its operations. SacRT management, after consultation with SacRT's general counsel, believes that the resolution of such matters will not have a material adverse effect on SacRT's financial position or results of operations.

SacRT 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.

SacRT has construction contracts and property acquisition commitments of $21,804,884 at June 30, 2020. Federal, state, and local grant funds have been approved for such construction.

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

ATU Plan

	2020	2019	2018
Total pension liability			
Service cost	$ 5,084,840	$ 4,765,696	$ 4,835,944
Interest	12,664,533	12,761,359	12,885,195
Changes of benefit terms	-	-	(11,268)
Difference between expected and actual returns	(519,304)	(261,689)	(5,577,742)
Change of assumptions	(172,948)	3,663,543	-
Change in bargaining group	(314,880)	(5,129,398)	(2,713,007)
Benefit payments, including refunds of member contributions	(11,545,372)	(11,304,112)	(10,776,986)
Net change in total pension liability	5,196,869	4,495,399	(1,357,864)
Total pension liability - beginning	177,856,961	173,361,562	174,719,426
Total pension liability - ending	$ 183,053,830	$ 177,856,961	$ 173,361,562
Plan fiduciary net position			
Contributions - employer	$ 8,533,307	$ 7,863,420	$ 7,987,367
Contributions - member	493,597	337,009	168,463
Change in bargaining group	(343,707)	(2,638,467)	(3,851,827)
Net investment income	8,012,792	8,591,810	14,419,708
Benefit payments, including refunds of member contributions	(11,545,372)	(11,304,112)	(10,776,986)
Administrative expense	(279,016)	(260,006)	(306,539)
Net change in plan fiduciary net position	4,871,601	2,589,654	7,640,186
Plan fiduciary net position - beginning	133,178,109	130,588,455	122,948,269
Plan fiduciary net position - ending	$ 138,049,710	$ 133,178,109	$ 130,588,455
Net pension liability - beginning	$ 44,678,852	$ 42,773,107	$ 51,771,157
Net pension liability - ending	$ 45,004,120	$ 44,678,852	$ 42,773,107
Plan fiduciary net position as a percentage of the total pension liability	75.41%	74.88%	75.33%
Covered payroll	$ 30,125,788	$ 31,575,118	$ 30,212,311
Net pension liability as a percentage of covered payroll	149.39%	141.50%	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. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

2018: the ATU and IBEW Plans were separated as of 7/1/16; previous years not available.
2019: amounts are reported as changes of assumptions resulted from lowering the discount rate from 7.50% to 7.25% and inflation rate from 3.15% to 3.00%.
2020: amounts reported as changes of assumptions resulted from a normal cost load of 2.62% for PEPRA members to account for missed pay periods.

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

IBEW Plan

	2020	2019	2018
Total pension liability			
Service cost	$ 1,792,845	$ 1,596,227	$ 1,640,651
Interest	5,449,300	5,338,451	4,742,855
Changes of benefit terms	-	-	(105,378)
Difference between expected and actual returns	499,642	(978,363)	2,420,299
Change of assumptions	(98,047)	1,630,101	-
Change in bargaining group	-	-	2,713,007
Benefit payments, including refunds of member contributions	(3,779,076)	(3,621,685)	(3,281,167)
Net change in total pension liability	3,864,664	3,964,731	8,130,267
Total pension liability - beginning	76,138,493	72,173,762	64,043,495
Total pension liability - ending	$ 80,003,157	$ 76,138,493	$ 72,173,762
Plan fiduciary net position			
Contributions - employer	$ 3,299,013	$ 3,195,912	$ 3,315,379
Contributions - member	209,531	103,415	39,287
Change in bargaining group	-	-	3,851,827
Net investment income	3,482,632	3,629,569	5,332,230
Benefit payments, including refunds of member contributions	(3,779,076)	(3,621,685)	(3,281,167)
Administrative expense	(229,569)	(225,752)	(239,189)
Net change in plan fiduciary net position	2,982,531	3,081,459	9,018,367
Plan fiduciary net position - beginning	57,166,577	54,085,118	45,066,751
Plan fiduciary net position - ending	$ 60,149,108	$ 57,166,577	$ 54,085,118
Net pension liability - beginning	$ 18,971,916	$ 18,088,644	$ 18,976,744
Net pension liability - ending	$ 19,854,049	$ 18,971,916	$ 18,088,644
Plan fiduciary net position as a percentage of the total pension liability	75.18%	75.08%	74.94%
Covered payroll	$ 13,300,633	$ 13,137,945	$ 12,473,480
Net pension liability as a percentage of covered payroll	149.27%	144.41%	145.02%

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. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

2018: the ATU and IBEW Plans were separated as of 7/1/16; previous years not available.
2019: amounts are reported as changes of assumptions resulted from lowering the discount rate from 7.50% to 7.25% and inflation rate from 3.15% to 3.00%.
2020: amounts reported as changes of assumptions resulted from a normal cost load of 2.62% for PEPRA members to account for missed pay periods.

SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES 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 2017.
Changes of assumptions – the investment rate of return and discount rate was reduced from 7.65% to 7.50%, during the fiscal 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
SCHEDULES OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

SALARIED PLAN

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	$ 3,831,831	$ 3,647,115	$ 3,873,148	$ 3,594,919	$ 3,476,103	$ 3,321,337
Interest (includes interest on service cost)	10,288,390	9,485,966	8,960,042	8,807,953	8,434,365	7,978,675
Changes in benefit terms	-	-	(298,430)	-	-	-
Difference between expected and actual returns	1,215,057	1,856,563	2,062,482	(852,040)	(753,076)	-
Changes of assumptions	(17,295)	3,291,931	-	(680,161)	930,863	-
Change in bargaining group	474,438	5,129,398	-	-	-	174,166
Benefit payments, including refunds of member contributions	(8,373,494)	(7,779,366)	(7,179,362)	(6,190,981)	(5,502,144)	(5,664,400)
Net change in total pension liability	7,418,927	15,631,607	7,417,880	4,679,690	6,586,111	5,809,778
Total pension liability - beginning	144,139,929	128,508,322	121,090,442	116,410,752	109,824,641	104,014,863
Total pension liability - ending	$ 151,558,856	$ 144,139,929	$ 128,508,322	$ 121,090,442	$ 116,410,752	$ 109,824,641
Plan fiduciary net position						
Contributions - employer	$ 8,503,815	$ 7,669,178	$ 7,321,138	$ 7,576,866	$ 7,335,308	$ 6,609,083
Contributions - member	193,293	143,094	53,706	21,014	261	1,678
Change in bargaining group	343,707	2,638,467	-	-	-	174,166
Net investment income	5,649,123	6,073,483	9,388,876	(396,556)	2,132,136	9,297,644
Benefit payments, including refunds of member contributions	(8,373,494)	(7,779,366)	(7,179,362)	(6,190,981)	(5,502,144)	(5,664,400)
Administrative expense	(260,441)	(247,077)	(289,067)	(269,624)	(194,209)	(176,367)
Net change in plan fiduciary net position	6,056,003	8,497,779	9,295,291	740,719	3,771,352	10,241,804
Plan fiduciary net position - beginning	93,130,089	84,632,310	75,337,019	74,596,300	70,824,948	60,583,144
Plan fiduciary net position - ending	$ 99,186,092	$ 93,130,089	$ 84,632,310	$ 75,337,019	$ 74,596,300	$ 70,824,948
Net pension liability - beginning	$ 51,009,840	$ 43,876,012	$ 45,753,423	$ 41,814,452	$ 38,999,693	$ 43,431,719
Net pension liability - ending	$ 52,372,764	$ 51,009,840	$ 43,876,012	$ 45,753,423	$ 41,814,452	$ 38,999,693
Plan fiduciary net position as a percentage of the total pension liability	65.44%	64.61%	65.86%	62.22%	64.08%	64.49%
Covered payroll	$ 22,220,418	$ 24,283,580	$ 23,435,642	$ 24,341,878	$ 23,022,281	$ 22,008,809
Net pension liability as a percentage of covered payroll	235.70%	210.06%	187.22%	187.96%	181.63%	177.20%

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

Notes to Schedule:
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.

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

Beginning in FYE 2015, payroll amounts are based on actual pensionable compensation from the employer. In prior years, payroll amounts are projected payroll from the actuarial valuation reports, which can be updated with actual amounts by Plan for the final disclosure.

2017: The investment rate of return and discount rate was reduced from 7.75% to 7.65%.
2018: The investment rate of return and discount rate was reduced from 7.65% to 7.50% and updated demographic and economic assumptions that were adopted following an experience study.
2019: amounts are reported as changes of assumptions resulted from lowering the discount rate from 7.50% to 7.25% and inflation rate from 3.15% to 3.00%.
2020: amounts reported as changes of assumptions resulted from a normal cost load of 0.57% for PEPRA members to account for missed pay periods.

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)

	2020	2019	2018	2017
Actuarially determined contribution	$ 8,783	$ 8,533	$ 7,863	$ 7,987
Contributions in relation to the actuarially determined contribution	8,783	8,533	7,863	7,987
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 34,174	$ 30,126	$ 31,575	$ 30,212
Contributions as a percentage of covered payroll	25.70%	28.33%	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	7/1/2018 (to determine FY19-20 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 14-year period as of 7/1/2018
Asset valuation method	5-year smoothed market
Discount Rate	7.25%
Amortization growth rate	3.00%
Price inflation	3.00%
Salary Increases	3.00%, 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, 2020, can be found in the July 1, 2018 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)

	2020	2019	2018	2017
Actuarially determined contribution	$ 3,231	$ 3,299	$ 3,196	$ 3,315
Contributions in relation to the actuarially determined contribution	3,231	3,299	3,196	3,315
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 14,167	$ 13,301	$ 13,138	$ 12,474
Contributions as a percentage of covered payroll	22.81%	24.80%	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	7/1/2018 (to determine FY19-20 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 14-year period as of 7/1/2018
Asset valuation method	5-year smoothed market
Discount Rate	7.25%
Amortization growth rate	3.00%
Price inflation	3.00%
Salary Increases	3.00%, 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, 2020, can be found in the July 1, 2018 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
Actuarially determined contribution	$ 10,447	$ 10,343	$ 9,711	$ 8,694	$ 7,885	$ 6,809
Contributions in relation to the actuarially determined contribution	10,447	10,343	9,711	8,694	7,885	6,809
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 39,996	$ 37,950	$ 38,858	$ 37,110	$ 38,558	$ 38,343
Contributions as a percentage of covered payroll	26.12%	27.25%	24.99%	23.43%	20.45%	17.76%

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

Notes to Schedule:

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

Key methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed 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 standalone plans beginning 7/1/16.

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

EMPLOYEES WHO ARE MEMBERS OF SALARIED PLAN
(Dollar amounts in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 9,160	$ 8,504	$ 7,669	$ 7,321	$ 7,577	$ 7,335	$ 6,609	$ 5,800	$ 4,580	$ 3,718
Contributions in relation to the actuarially determined contribution	9,160	8,504	7,669	7,321	7,577	7,335	6,609	5,800	4,580	3,718
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 26,295	$ 22,220	$ 24,284	$ 23,436	$ 24,342	$ 23,022	$ 22,009	$ 19,627	$ 19,105	$ 19,466
Contributions as a percentage of covered payroll	34.84%	38.27%	31.58%	31.24%	31.13%	31.86%	30.03%	29.55%	23.97%	19.10%

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	7/1/2018 (to determine FY19-20 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 14-year period as of 7/1/2018
Asset valuation method	5-year smoothed market
Discount Rate	7.25%
Amortization growth rate	3.00%
Price inflation	3.00%
Salary Increases	3.00%, 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, 2020, can be found in the July 1, 2018 actuarial valuation report.

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

	2020	2019	2018
Total OPEB liability			
Service cost	$ 1,556,281	$ 1,507,294	$ 1,459,848
Interest	3,514,022	3,345,560	3,196,439
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(3,752,353)	-	-
Changes in assumptions	2,376,944	-	-
Benefit payments	(2,560,076)	(2,430,417)	(2,716,420)
Net change in total OPEB liability	1,134,818	2,422,437	1,939,867
Total OPEB liability - beginning	49,924,076	47,501,639	45,561,772
Total OPEB liability - ending	$ 51,058,894	$ 49,924,076	$ 47,501,639
Plan fiduciary net position			
Contributions - employer	$ 3,292,735	$ 3,182,371	$ 5,817,444
Net investment income	1,778,876	2,069,510	2,299,759
Benefit payments	(2,560,076)	(2,430,417)	(2,716,420)
Other expense	-	(34,264)	-
Administrative expense	(6,158)	(13,849)	(11,457)
Net change in plan fiduciary net position	2,505,377	2,773,351	5,389,326
Plan fiduciary net position - beginning	28,670,623	25,897,272	20,507,946
Plan fiduciary net position - ending	$ 31,176,000	$ 28,670,623	$ 25,897,272
Net OPEB liability - beginning	$ 21,253,453	$ 21,604,367	$ 25,053,826
Net OPEB liability - ending	$ 19,882,894	$ 21,253,453	$ 21,604,367
Plan fiduciary net position as a percentage of the total OPEB liability	61.06%	57.43%	54.52%
Covered employee payroll	$ 73,751,153	$ 68,996,643	$ 67,347,993
Net OPEB liability as a percentage of covered employee payroll	26.96%	30.80%	32.08%

Notes to Schedule:
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.

FY2020: Amounts reported as changes in assumptions resulted from the lowering of the discount rate from 7.00% to 6.75%, the inflation rate from 2.75% to 2.50%, salary increases from 3.25% to 3.00%, PEMHCA minimum and dental premium from 4.50% to 4.00% as well as the change to the Getzen model for medical cost trend rates.

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

(Dollar amounts in thousands)

	2020	2019	2018
Actuarially determined contribution	$ 3,112	$ 3,278	$ 3,179
Contributions in relation to the actuarially determined contribution	3,134	3,293	3,182
Contribution deficiency (excess)	$ (22)	$ (15)	$ (3)
Covered employee payroll	$ 81,051	$ 73,751	$ 68,997
Contributions as a percentage of covered employee payroll	3.86%	4.46%	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 6/30/2019 (to determine FY19-20 contribution)
Timing Actuarially determined contribution rates are calculated based on the actuarial valuation no more than 30 months plus 1 day prior to the close of the fiscal year end per GASB 75

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	6.75%
Amortization growth rate	2.50%
General inflation	2.50%
Salary Increases	3.00%
Mortality	2016 SacRT Experience Study; Improvement using MacLeod Watts Scale 2018

Valuation Date 7/1/2017 (to determine FY17-18 and FY18-19 contribution)
Timing Actuarially determined contribution rates are calculated based on the actuarial valuation no more than 30 months plus 1 day prior to the close of the fiscal year end per GASB 75

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

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%
General inflation	2.75%
Salary Increases	3.25%
Mortality	2016 SacRT Experience Study; Improvement using MacLeod Watts Scale 2017

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2020

	ATU	IBEW	Salaried	Total
ASSETS				
Cash and Cash Equivalents	$ 7,371,763	$ 3,194,679	$ 4,959,859	$ 15,526,301
Receivables:				
Securities sold	6,104,714	2,632,707	4,016,792	12,754,213
Interest and dividends	205,797	89,210	138,053	433,060
Other receivables and prepaids	13,218	12,197	12,912	38,327
Total receivables	6,323,729	2,734,114	4,167,757	13,225,600
Investments:				
Equity securities	90,963,499	40,270,748	69,569,341	200,803,588
Fixed income securities	44,291,921	19,091,086	29,090,368	92,473,375
Total investments	135,255,420	59,361,834	98,659,709	293,276,963
Total assets	148,950,912	65,290,627	107,787,325	322,028,864
LIABILITIES				
Securities purchased payable	10,559,230	4,552,204	6,940,654	22,052,088
Accounts payable	967,630	359,298	294,500	1,621,428
Total liabilities	11,526,860	4,911,502	7,235,154	23,673,516
NET POSITION RESTRICTED FOR PENSION BENEFITS	$ 137,424,052	$ 60,379,125	$ 100,552,171	$ 298,355,348

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

	ATU	IBEW	Salaried	Total
ADDITIONS				
Contributions:				
Employer	$ 8,783,426	$ 3,230,879	$ 9,159,513	$ 21,173,818
Member	766,861	304,593	360,051	1,431,505
Total contributions	9,550,287	3,535,472	9,519,564	22,605,323
Investment income/(expense)				
Net appreciation in fair value of investments	772,543	334,330	292,359	1,399,232
Interest, dividends, and other income	2,376,298	1,032,631	1,690,593	5,099,522
Investment expenses	(625,117)	(284,302)	(456,801)	(1,366,220)
Net investment income	2,523,724	1,082,659	1,526,151	5,132,534
Total additions	12,074,011	4,618,131	11,045,715	27,737,857
DEDUCTIONS				
Benefits paid to participants	12,455,822	4,169,979	9,453,326	26,079,127
Administrative expenses	243,847	218,135	226,310	688,292
Total deductions	12,699,669	4,388,114	9,679,636	26,767,419
Net increase/(decrease) in plan net position	(625,658)	230,017	1,366,079	970,438
Net position restricted for pension benefits - Beginning of fiscal year	138,049,710	60,149,108	99,186,092	297,384,910
Net position restricted for pension benefits - End of fiscal year	$ 137,424,052	$ 60,379,125	$ 100,552,171	$ 298,355,348

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 SacRT'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. SacRT 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.*

NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Position										
Net Investment in Capital Assets	$ 778,152	$ 787,711	$ 799,650	$ 798,019	$ 864,160	$ 878,849	$ 889,347	$ 852,174	$ 821,610	$ 779,273
Restricted for:										
Capital Projects	1,840	4,474	2,845	1,211	1,751	-	-	-	-	-
Debt Service	-	-	2,278	2,279	1,829	1,831	-	3,484	3,435	3,472
Unrestricted	(4,287)	(526)	1,689	31,723	(48,259) [1]	(50,474)	(48,012)	(61,136)	(49,001)	(68,477)
Total Net Position	$ 775,705	$ 791,659	$ 806,462	$ 833,232	$ 819,481	$ 830,206	$ 841,335	$ 794,522	$ 776,044	$ 714,268

[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 that funded the District South Line Phase 2 extension project and the delivery of 30 new Gillig 40' buses

[2] The fiscal year 2020 decrease is due the change in federal grant revenue recognition per GASB Implementation Guide 2019-1

Source: Comprehensive Annual Financial Report

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(expressed in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenues										
Fares	$ 28,967	$ 28,964	$ 29,759	$ 29,157	$ 28,396	$ 28,056	$ 30,487	$ 27,276	$ 25,428	$ 20,999
Operating Expenses										
Labor and Fringe Benefits	79,366	82,209	88,064	94,755	93,182	99,692	108,886	110,545	116,997	133,144
Professional and Other Services	20,720	21,417	24,996	26,130	27,533	29,332	30,342	27,119	27,348	27,923
Spare Parts and Supplies	8,524	9,785	10,517	11,996	10,549	8,526	11,996	10,841	12,139	14,550
Utilities	5,741	5,587	5,639	5,646	5,816	6,288	6,619	6,995	6,761	6,821
Casualty and Liability Costs	6,540	6,353	7,910	8,343	7,906	7,160	9,317	9,300	14,011	9,931
Depreciation	31,238	31,392	31,380	33,982	34,128	39,925	43,959	43,126	43,359	42,739
Indirect Costs Allocated to Capital Programs	(881)	(824)	(763)	(887)	(1,204)	(1,038)	(538)	(459)	(309)	(230)
Other	1,547	1,492	1,396	1,460	1,541	1,434	1,702	2,355	2,847	2,745
Impairment Loss	-	-	-	-	-	-	-	-	15,375	15,375
Total Operating Expenses	152,795	157,411	169,139	181,425	179,451	191,319	212,283	209,822	223,153	252,999
Operating Loss	(123,828)	(128,447)	(139,380)	(152,268)	(151,055)	(163,263)	(181,796)	(182,546)	(197,725)	(232,000)
Non-Operating Revenues (Expenses)										
Operating Assistance:										
State and Local	58,109	69,132	72,723	78,318	80,350	81,518	86,911	93,339	104,031	114,880
Federal	27,374	28,670	31,007	32,620	32,764	36,156	35,611	41,746	38,668	36,719
Investment Income	4,113	2,456	1,755	1,941	1,996	2,129	2,124	2,223	2,753	3,105
Interest Expense	(4,401)	(2,722)	(2,522)	(3,223)	(2,982)	(3,675)	(2,353)	(2,707)	(2,745)	(5,010)
Pass Through to Subrecipients	(4,043)	(4,216)	(1,672)	(3,401)	(2,933)	(2,030)	(1,075)	(4,645)	(2,838)	(301)
Professional and Other Services-Funded	-	-	-	-	-	-	(6,162)	(7,325)	(4,448)	(74)
Contract Services	4,362	5,245	5,607	5,530	5,810	6,110	6,260	6,420	3,731	7,125
Other	3,946	2,485	3,414	2,863	4,193	5,325	4,353	4,981	8,027	9,601
Total Non-Operating Revenues	89,460	101,050	110,312	114,648	119,198	125,533	125,669	134,032	147,179	173,099
Loss Before Capital Contributions	(34,368)	(27,397)	(29,068)	(37,620)	(31,857)	(37,730)	(56,127)	(48,514)	(50,546)	(58,901)
Capital Contributions										
State and Local	36,482	33,474	34,389	15,878	25,635	18,376	18,376	16,804	24,307	27,812
Federal	3,538	10,016	9,331	48,512	74,926	30,078	30,078	4,133	2,371	4,558
Increase (Decrease) in Net Position before Special Item	5,653	16,092	14,650	26,769	68,704	10,724	10,724	(27,577)	(23,868)	(26,531)
Extraordinary (Loss) Gain on Early Extinguishment of Debt	-	-	155	-	-	-	-	-	-	-
Special Items	-	-	-	-	-	-	-	-	5,390	-
Increase (Decrease) in Net Position after Special and Extraordinary Items	$ 5,653	$ 16,092	$ 14,805	$ 26,769	$ 68,704	$ 10,724	$ 10,724	$(27,577)	$(18,478)	$(26,531)

Source: Comprehensive Annual Financial Report

OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year	Farebox	Fare Prepayment/ Outlet Sales	Special/ Contracted	Other	Total
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
2019	11,948,401	10,102,175	3,367,622	10,234	25,428,432
2020	10,773,484	5,998,126	4,225,036	2,231	20,998,877

Source: Comprehensive Annual Financial Report

PRINCIPAL FARE REVENUE PAYERS
CURRENT YEAR AND NINE YEARS AGO

	Fiscal Year 2020 Sales		Fiscal Year 2011 Sales	
Customers	Amount	%	Amount	%
Los Rios Community College District	$ 2,214,154	10.54%	$ 1,017,703	3.51%
Department of Human Assistance	2,069,648	9.86%	2,121,051	7.32%
California State University Sacramento	854,017	4.07%	738,230	2.55%
City of Sacramento	749,997			
Department of Child, Family and Adult Services	695,100	3.31%	582,750	2.01%
Francis House Center	167,605	0.80%	-	0.00%
California Assembly Rules Committee	144,250	0.69%	-	0.00%
Wage Works	87,850	0.42%	-	0.00%
Highlands Community Charter	86,750	0.41%	-	0.00%
California Department of Finance	83,725	0.40%	-	0.00%
Raley's Family of Fine Stores	-	0.00%	1,353,520	4.67%
Department of Transportation	-	0.00%	1,046,008	3.61%
Employment Development Department	-	0.00%	973,790	3.36%
California Environmental Protection Agency	-	0.00%	834,068	2.88%
Alta California Regional Center	-	0.00%	758,500	2.62%
California Franchise Tax Board	-	0.00%	751,620	2.59%
Subtotal (10 Largest)	7,153,096	34.06%	10,177,240	35.13%
Balance from other customers	13,845,781	65.94%	18,789,988	64.87%
Grand Total	$ 20,998,877	100.00%	$ 28,967,228	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
2011	$ -	$ 57,411,268	$ 7,788,606	$ -	$ 65,199,874	0.01%	3.33
2012	-	35,482,912	5,942,622	8,230,039	49,655,573	0.01%	2.52
2013	95,000,484	33,351,437	-	8,642,509	136,994,430	0.09%	39.89
2014	92,006,633	35,062,503	-	13,988,074	141,057,210	0.08%	38.21
2015	88,927,782	36,861,364	-	13,988,074	139,777,220	0.07%	36.50
2016	87,113,931	38,752,526	-	13,988,074	139,854,531	0.07%	35.32
2017	51,017,296	40,740,724	-	13,988,074	105,746,094	0.04%	20.42
2018	50,841,764	42,830,939	-	13,988,074	107,660,777	0.04%	20.30
2019	50,666,232	45,028,404	-	13,988,074	109,682,710	Not available	20.00
2020	49,628,200	47,338,625	-	13,988,074	110,954,899	Not available	19.59

Lease/Leaseback is not included in Percentage of Personal Income or Per Capital as there is an equal and offsetting deposit on SacRT's Statement of Net Position

Loan Payable is not included in Percentage of Personal Income or Per Capital as the there is an equal and offsetting receivable accrual on SacRT's Statement of Net Position

Source: Comprehensive Annual Financial Report

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Fare Revenue	Non-Fare Revenues	Total Revenue	Less Operating Expense	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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
2019	25,428,432	151,586,987	177,015,419	173,778,795	3,236,624	175,532	-	18.44
2020	20,998,877	174,140,407	195,139,284	181,407,884	13,731,400	862,500	1,711,575	5.33

Notes: Details regarding SacRT'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 Income [1]		Unemployment Rate [3]	
	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region
2011	1,433,739	2,339,905	57,937,285	99,307,175	40,410	42,441	12.1%	12.2%
2012	1,445,078	2,357,558	60,247,321	103,552,756	41,691	43,924	10.5%	10.7%
2013	1,457,750	2,378,719	62,604,470	107,492,021	42,946	45,189	8.9%	9.0%
2014	1,475,618	2,405,015	66,679,473	114,408,427	45,187	47,571	7.3%	7.4%
2015	1,494,294	2,433,536	71,505,804	122,381,099	47,853	50,289	6.0%	6.1%
2016	1,511,510	2,463,310	74,011,474	127,165,166	48,965	51,624	5.4%	5.5%
2017	1,527,718	2,493,594	77,065,668	132,473,158	50,445	53,125	4.7%	4.8%
2018	1,540,975	2,520,058	80,969,087	139,489,401	52,544	55,352	3.9%	4.0%
2019	1,541,301	2,528,449	Not available	Not available	Not available	Not available	3.7%	3.8%
2020	1,555,365	2,553,645	Not available	Not available	Not available	Not available	9.6%	9.4%

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

1. 2010-2018 U.S. Department of Commerce, Bureau of Economic Analysis, *CAINC1 Personal income population, per capital personal income.*
2. 2019 State of California, Department of Finance, E-1 City, County and State Population Estimates, 2019–2020.
3. State of California, Employment Development Department, Labor Force & Employment Data

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Apple Inc.

	Fiscal Year 2020			Fiscal Year 2011		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of California	77,172	1	12.08%	70,937	1	12.06%
Kaiser Permanente	15,585	2	2.44%	6,367	7	1.08%
UC Davis Health	14,510	3	2.27%	8,580	3	1.46%
Sacramento County	12,360	4	1.93%	11,300	2	1.92%
Sutter Health	10,764	5	1.68%	6,948	4	1.18%
U.S. Government	10,559	6	1.65%			
Dignity Health	7,871	7	1.23%	6,942	5	1.18%
Intel Corporation	6,200	8	0.97%	6,515	6	1.11%
Elk Grove Unified School District	6,164	9	0.96%	5,619	8	0.96%
San Juan Unified School District	5,350	10	0.84%	4,600	9	0.78%
Sacramento City Unified School District				4,500	10	0.77%
Total	166,535		26.07%	132,308		22.50%

Source: Sacramento Business Journal

CONTINUING DISCLOSURE REQUIREMENTS

SEC Rule 15c2-12

The following summary provides SacRT'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 SacRT's Comprehensive Annual Financial Report (CAFR) and SacRT's Adopted Budget.

	FY 2020 CAFR Page No.	FY 2020 Adopted Budget Page No.
Management Discussion and Analysis, Audited Financial Statements and Statistical Information	4-16	
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)	100-103	
Historical Operating Results	6,89,90	
Farebox Recovery Ratios (ii)	50,100	
Historical Nonoperating Revenues – 10 year funds (iii)	98,99	
Measure A Sales Tax Funding Trends (iv)	48,99	
LTF Revenues claimed and expended by SacRT (v)	48,99	
STA Funds Claimed and Utilized by SacRT (vi)	48,99	
Federal Grant Funds Utilized by SacRT (v)	47,98	
Adopted Operating Budget (vi)		56
Capital Project Expediture Plan		164

Covenants of the Issuer

The following summary provides SacRT'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, SacRT's CAFR.

	2012 Official Statement	FY 2020 CAFR Page No.
Punctual Payments	43	45
Application of Farebox Revenues	44	15

SacRT PROFILE
As of June 30, 2020

Date the Authority began Operations	April 1, 1973
Form of Governance	Board of Directors, with General Manager
Metropolitan Population	1.4 million
Total Employees	1,228
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	65
Number of Rail Lines	3
Miles of Rail	42.9
Weekday Bus Revenue Service Miles	20,856
Weekday Rail Revenue Service Miles	11,451
Average Weekday Bus and Rail Riders	59,456
Number of Vehicles in Service	217 CNG Buses 95 Rail Vehicles 61 Shuttle Vans 6 Electric Buses 9 Electric Shuttles
Paratransit	120 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 SacRT 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
2011	$ 18,893,200	$ 5,582,436	$ -	$ 38,000,000	$ 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
2019	24,616,326	-	-	-	505,056	2,117,403	13,064,129	-	79,976
2020	27,616,695	-	-	-	211,902	2,073	13,098,402	-	348,132

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 SacRT 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
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	-	63,558,519	39,263,496	38,731,878	7,156,739	(3,556,168)
2018		5,001,678	41,460,448	40,966,707	12,603,839	10,110,006
2019	-	21,293,864	44,949,578	47,175,047	9,606,729	5,312,351
2020	-	30,362,695	46,714,046	51,729,305	12,778,564	1,107,351

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. SacRT 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.

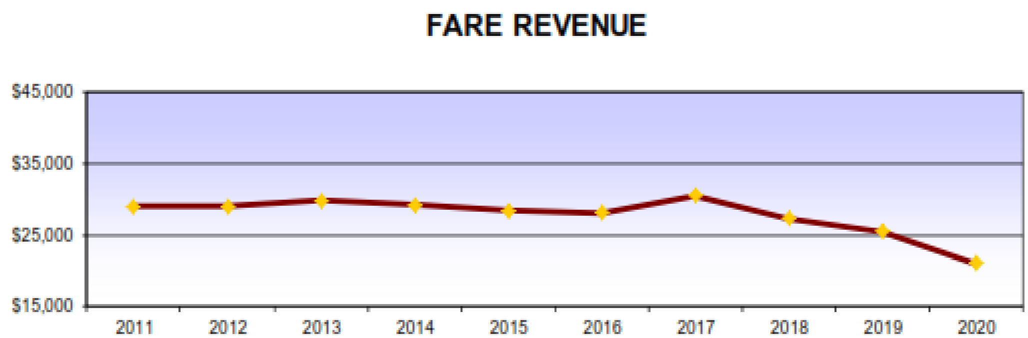
Local Transportation Fund: Funds generated by the state sales tax, and used for transit operating support purposes. The Transportation Development Act (TDA) allocates a portion of the state sales tax for transportation purposes.

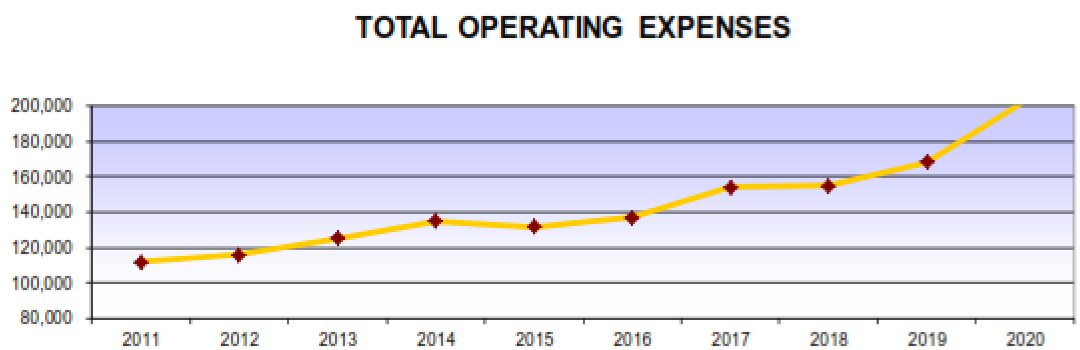
State Transit Assistance Funds: Funds generated by the sales tax on gasoline and diesel fuel sales. These funds are disbursed to transit agencies for a variety of transit capital and operating support needs. SB1 funds, the Road Repair and Accountability Act of 2017, are included in STA funds beginning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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fare Revenue	$28,967	$28,964	$29,759	$29,156	$28,396	$28,056	$30,487	$27,276	$25,428	$20,999
Local Fund Supplementation	-	535	2,201	5,322	5,208	3,436	4,948	8,321	13,256	25,615
Total Operating Expenses	111,946	115,684	125,332	135,094	131,779	136,920	154,067	154,770	168,194	202,667
Fare Recovery Ratio	25.9%	25.5%	25.5%	25.5%	25.5%	23.0%	23.0%	23.0%	23.0%	23.0%



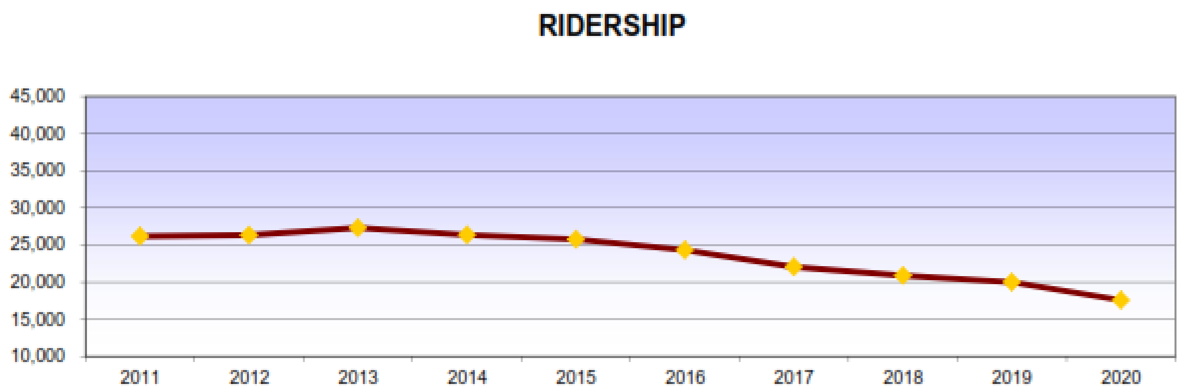


Notes: Operating expenses do not include depreciation and Paratransit operations.

Source: Comprehensive Annual Financial Report

RIDERSHIP
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Ridership	26,161	26,338	27,298	26,368	25,768	24,330	22,050	20,890	19,989	17,564
% change	(20.87%)	0.68%	3.64%	(3.41%)	(2.28%)	(5.58%)	(9.37%)	(5.26%)	(4.31%)	(12.13%)



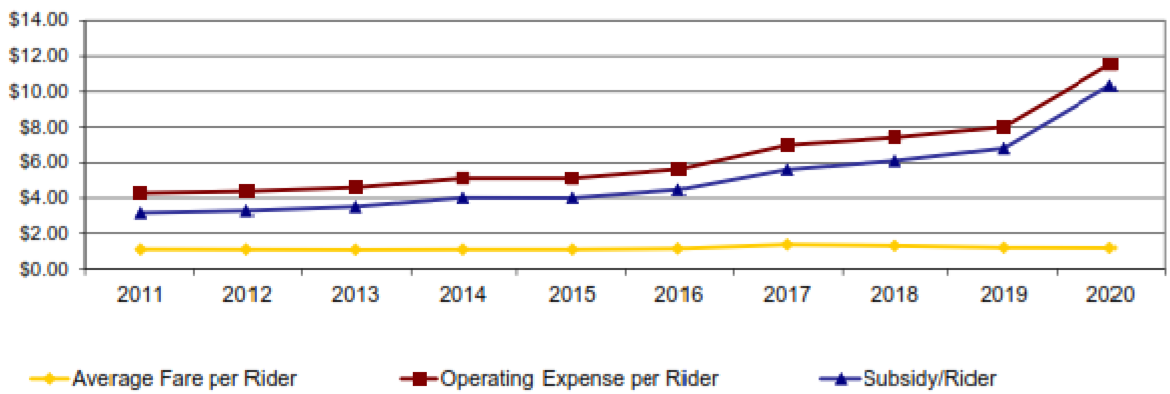
Source: SacRT Planning Department
NTD Statistics

OPERATING SUBSIDY
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Average Fare per Rider	$1.11	$1.10	$1.09	$1.11	$1.10	$1.15	$1.38	$1.31	$1.21	$1.20
Operating Expense per Rider [1]	$4.28	$4.39	$4.60	$5.12	$5.11	$5.63	$6.99	$7.41	$8.01	$11.54
Subsidy/Rider	$3.17	$3.29	$3.51	$4.02	$4.01	$4.47	$5.60	$6.10	$6.80	$10.34

[1] Operating expense per rider excludes Paratransit and depreciation costs.

OPERATING EXPENSE & SUBSIDY PER RIDER



Source: Comprehensive Annual Financial Report
SacRT Planning Department
NTD Statistics

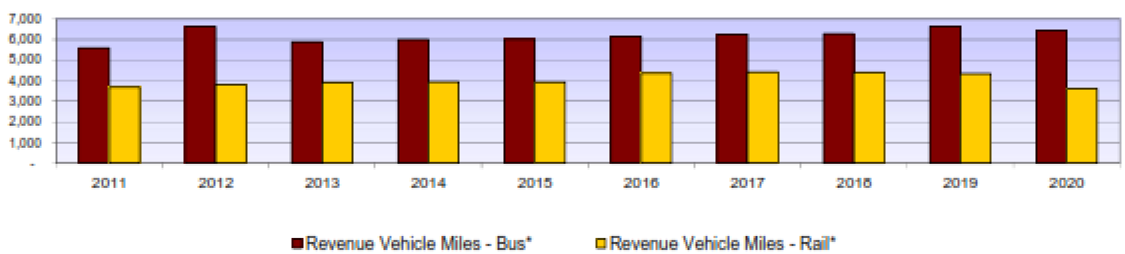
SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

SERVICE PROVIDED

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
BUS										
Revenue Vehicle Miles - Bus*	5,590	6,632	5,893	6,002	6,023	6,152	6,269	6,288	6,646	6,439
Revenue Vehicle Hours*	501.2	506.0	532.0	548.0	549.8	558.0	558.5	559.2	580.9	564.1
# Vehicles	229	229	232	232	232	223	223	225	237	237
RAIL										
Revenue Vehicle Miles - Rail*	3,697	3,823	3,921	3,947	3,936	4,370	4,422	4,418	4,344	3,610
Revenue Vehicle Hours*	191.1	203.3	217.2	218.6	218.1	245.2	248.9	248.7	243.2	207.0
Train Revenue Hours*	69.3	70.0	82.0	83.2	83.2	93.0	94.9	94.7	99.9	98.1
# of Vehicles	76	76	76	76	76	87	96	97	97	95

SERVICE PROVIDED



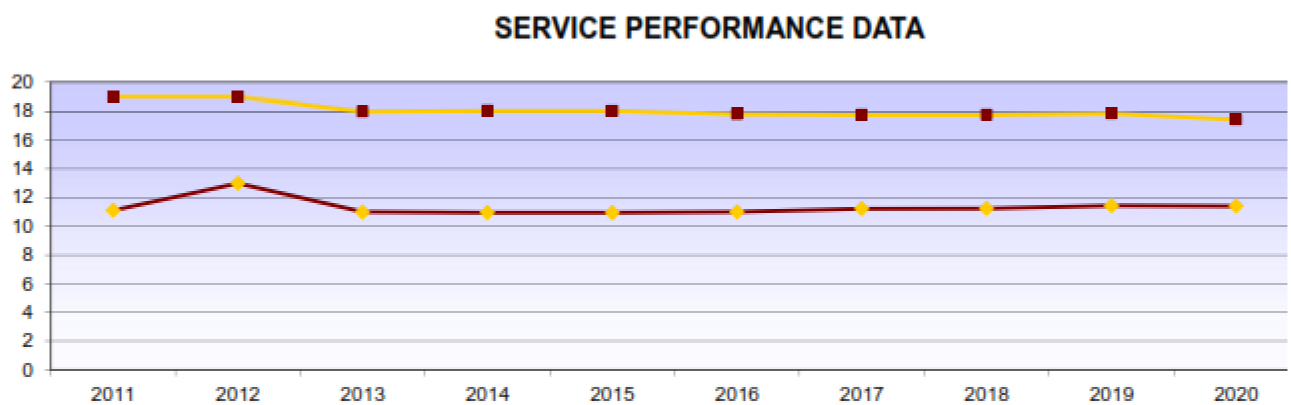
SERVICE CONSUMED

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
BUS										
Passengers*	13,617	13,146	13,784	13,658	13,706	12,114	10,608	10,517	10,008	8,575
Passenger Miles*	47,525	46,521	49,440	53,133	52,346	43,911	39,468	37,925	35,382	31,008
RAIL										
Passengers*	12,544	13,192	13,513	12,710	12,062	12,216	11,442	10,373	9,981	8,989
Passenger Miles*	72,860	74,706	75,797	74,580	68,717	69,171	68,760	65,531	63,074	53,131
TOTAL										
Passengers*	26,161	26,338	27,298	26,368	25,768	24,330	22,050	20,890	19,989	17,564
Passenger Miles*	120,385	121,227	125,237	127,713	121,063	113,082	108,228	103,456	98,456	84,139
FLEET										
Bus	229	229	232	232	232	223	223	225	237	237
Rail	76	76	76	76	76	87	96	97	97	95
TOTAL EMPLOYEES	901	901	940	933	937	982	974	997	1036	1228

Source: SacRT Planning Department
NTD Statistics

SERVICE PERFORMANCE DATA (Continued)
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue Miles/Revenue Hour-Bus	11	13	11	11	11	11	11	11	11	11
Revenue Miles/Revenue Hour-Rail	19	19	18	18	18	18	18	18	18	17



Source: SacRT Planning Department
NTD Statistics

FARES
As of June 30, 2020

Single and Daily Pass Fares

Rider Type	Fare Type	Single Ride	Daily Pass
Age 19-61	Basic	$ 2.50	$ 7.00
Senior (62 & older)	Discount	$ 1.25	$ 3.50
Individuals with Disabilities	Discount	$ 1.25	$ 3.50
Medicare Cardholder	Discount	$ 1.25	$ 3.50
Student (grades K-12)*	Discount	$ 1.25	$ 3.50

Pre-Paid Ticket Books

Fare Book Type	Fare Type	# of Tickets	Book Price
Single Fare	Basic	10	$ 25.00
Single Fare	Discount	10	$ 12.50
Daily Fare	Basic	10	$ 70.00
Daily Fare	Discount	10	$ 35.00

Monthly Passes and Stickers

Fare/Rider Type	Price
Basic Monthly Pass	$ 100.00
Basic Semi-Monthly Pass	$ 50.00
Senior/Disabled Monthly Sticker	$ 50.00
Senior/Disabled Semi-Monthly Sticker	$ 25.00
Super Senior Monthly Sticker (age 75+)	$ 40.00
Student Monthly Sticker*	$ 20.00
Student Semi-Monthly Sticker*	$ 10.00

*Many students, in grades K through 12, are eligible for free transit passes. Students need to check with their school district for details or visit www.RydreFreeRT.com

Bus: Passengers are required to pay a basic or discount single fare for each trip or may purchase a daily pass valid for unlimited rides on that day.

Light Rail: Single ride tickets are valid for 90 minutes from time of validation on light rail only or pay the 25 cents transfer fee when boarding a bus.

PERFORMANCE MEASURES

Performance Measures in Sacramento's Peer Transit Agencies												
			2018 Statistics									
City State	**2010 Urban Area Population**		**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)**	**$ 7.72**	**(3)**	**$ 13.05**	**(6)**	**$ 146.72**	**(6)**	**$ 6.37**	**(3)**	**17.5%**	**(4)**
Los Angeles, CA	12,150,996	(2)	4.31	(5)	16.55	(4)	17,361.00	(5)	3.53	(4)	18.1%	(3)
Oakland, CA	3,281,212	(13)	7.58	(4)	19.51	(2)	193.64	(1)	6.37	(3)	15.9%	(5)
San Carlos, CA	3,281,212	(13)	10.51	(1)	17.75	(3)	184.47	(3)	9.22	(1)	12.3%	(6)
San Diego, CA	2,956,746	(15)	3.61	(6)	8.73	(7)	94.91	(7)	2.62	(5)	27.4%	(1)
San Francisco, CA	3,281,212	(13)	3.05	(7)	23.35	(1)	182.78	(4)	2.25	(6)	26.3%	(2)
San Jose, CA	1,664,496	(29)	9.14	(2)	16.19	(5)	188.71	(2)	8.21	(2)	10.2%	(7)
Average for Bus Peers	**4,048,501**		**6.56**		**16.45**		**161.83**		**5.11**		**19.7%**	
RAIL PEERS												
Sacramento, CA	**1,723,634**	**(28)**	**6.83**	**(2)**	**16.04**	**(4)**	**285.00**	**(4)**	**5.58**	**(2)**	**18.4%**	**(2)**
Los Angeles, CA	12,150,996	(2)	5.69	(3)	20.97	(3)	435.68	(2)	4.95	(3)	13.0%	(4)
San Diego, CA	2,956,746	(15)	2.44	(5)	10.43	(5)	188.87	(5)	1.38	(5)	43.6%	(1)
San Francisco, CA	3,281,212	(13)	4.44	(4)	41.52	(1)	397.20	(3)	3.63	(4)	18.1%	(3)
San Jose, CA	1,664,496	(29)	15.12	(1)	38.80	(2)	583.09	(1)	14.18	(1)	6.2%	(5)
Average for Rail Peers	**4,355,417**		**6.90**		**25.55**		**377.97**		**5.94**		**19.9%**	
Source: National Transit Database, 2018 Transit Profiles - All Agencies												

In 2010, the Sacramento urban area ranked 28th in the US based on population. Table 1 compares SacRT's 2018 performance to 6 other bus peer transit properties and 4 other rail peer transit properties. This table indicates the following:

Bus
SacRT ranks 3rd in Cost per Passenger and Subsidy per Passenger and ranks 4th in Farebox Recovery Ratio among its bus peer transit agencies.
SacRT ranks 6th in Cost per Revenue Mile and Cost per Revenue Hour among its bus peer transit agencies.

Rail
SacRT ranks 2nd in Cost per Passenger, Subsidy per Passenger and Farebox Recovery Ratio among its rail peer transit agencies.
SacRT ranks 4th in Cost per Revenue Mile and Cost per Revenue Hour among its rail peer transit agencies.

SACRAMENTO REGIONAL TRANSIT DISTRICT
Sacramento, California

REPORTS REQUIRED BY UNIFORM GUIDANCE AND TRANSPORTATION DEVELOPMENT ACT
Year ended June 30, 2020

SACRAMENTO REGIONAL TRANSIT DISTRICT
Sacramento, California

Year ended June 30, 2020

CONTENTS

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of Sacramento Regional Transit District (SacRT) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SacRT's basic financial statements, and have issued our report thereon dated November 25, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SacRT's internal control over financial reporting (internal control) as a basis for designing 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 SacRT's internal control. Accordingly, we do not express an opinion on the effectiveness of SacRT's internal control.

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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 25, 2020

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 (SacRT) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SacRT's major federal programs for the year ended June 30, 2020. SacRT'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 SacRT'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 SacRT'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 SacRT's compliance.

Opinion on Each Major Federal Program

In our opinion, SacRT 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, 2020.

(Continued)

Report on Internal Control over Compliance

Management of SacRT 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 SacRT'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 SacRT's internal control over compliance.

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

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

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

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

We have audited the financial statements of the business-type activities and the fiduciary activities of SacRT as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SacRT's basic financial statements. We issued our report thereon dated November 25, 2020 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 25, 2020

SACRAMENTO REGIONAL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2020

Federal Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through / Grant Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Transportation				
Highway Planning and Construction Cluster:				
Direct Programs:				
Highway Planning and Construction	20.205	N/A	$ 145,267	$ -
Passed through Sacramento Area Council of Governments:				
Highway Planning and Construction	20.205	1819076	92,482	-
Highway Planning and Construction	20.205	SA1819115	44,420	-
Highway Planning and Construction	20.205	SA1819171	75,000	-
Total Highway Planning and Construction Cluster			357,169	-
Federal Transit Cluster:				
Direct Programs:				
Federal Transit - Capital Investment Grants	20.500	N/A	48,812	-
Federal Transit - Formula Grants	20.507	N/A	27,616,694	301,315
State of Good Repair Grants Program	20.525	N/A	13,098,402	-
Bus and Bus Facilities Formula & Discretionary Programs	20.526	N/A	2,073	-
Total Federal Transit Cluster			40,765,981	301,315
Passed through State of California Department of Transportation:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	74A1060	87,987	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	74A1127	308	-
			88,295	-
Total Department of Transportation			41,211,445	301,315
Department of Homeland Security				
Direct Programs:				
Rail and Transit Security Grant Program	97.075	N/A	65,759	-
Total Expenditures of Federal Awards			$ 41,277,204	$ 301,315

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of SacRT, for the year ended June 30, 2020. 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. SacRT 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.

NOTE 3 – PRIOR YEAR EXPENDITURES

With the release of Government Accounting Standards Board (GASB) Implementation Guide No. 2019-1, *Implementation Guidance Update – 2019*, management changed their method of accounting for recognition of non-exchange revenue. Expenditure-driven grant provisions are determined to be a stipulation that is considered to be an eligibility requirement and as such, revenue cannot be recognized until the agreement has been executed. As a result, $35,245,165 of federal grants that were previously reported on the schedule of expenditure of federal awards for the year ending June 30, 2019 are included again on the schedule of expenditure of federal awards for the year ending June 30, 2020 since the corresponding grant revenue is now being recognized as federal revenue in fiscal year 2020 under the newly adopted accounting principle. The $35,245,165 of expenditures were incurred in fiscal year 2019.

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	____ Yes __X__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __X__ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes __X__ No
Identification of major federal programs: CFDA Numbers 20.500 / 20.507 / 20.525 / 20.526	Federal Transit Cluster
Dollar threshold used to distinguish between type A and type B programs:	$ 1,238,316
Auditee qualified as low-risk auditee?	__X__ Yes ____ No

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 (SacRT) 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 (collectively "Transportation Development Act") that could have a direct and material effect on SacRT's compliance with the Transportation Development Act for the year ended June 30, 2020.

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 SacRT'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 SacRT'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 SacRT's compliance.

(Continued)

Opinion on the Transportation Development Act Program

In our opinion, SacRT 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, 2020.

Report on Internal Control over Compliance

Management of SacRT 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 SacRT'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 SacRT'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 25, 2020

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 SacRT 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 SacRT's financial statements are free of material misstatement, we performed tests of SacRT'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 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. 84, "Fiduciary Activities" This Statement was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments.	As a result of implementation, SacRT reports the Connect Card program as a custodial fund in the fiduciary fund statements.
GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" This Statement was issued to provide relief to governments in light of COVID-19 pandemic by postponing the effective dates of provisions in almost all standards and implementation guides due to be implemented for fiscal years 2019 and later.	Adoption of this Statement did not have a material impact on SacRT's financial position or results of operations
Change in Accounting Principle	Management changed the method of accounting for nonexchange revenue in accordance with the clarified guidance provided in GASB Implementation Guide No. 2019-01, *Implementation Guidance Update---2019.* As a result, an adjustment to reduce business-type activities net position at July 1, 2019 of $35,245,195 was made to reflect the cumulative effect of the change in accounting principle.
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 SacRT'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 SacRT'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 SacRT's financial statements or the auditor's report.	During our audit, there were no such disagreements with management.
Consultations with Other Accountants 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.

Communication Item	Results
Representations the Auditor Is Requesting from Management We are to provide you with a copy of management's requested written representations to us.	We direct your attention to a copy of the letter of management's representation to us provided separately.
Significant Issues Discussed, or Subject to Correspondence, With Management We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	There were no such significant issues discussed or subject to correspondence with management.
Significant Related Party Findings and Issues We are to communicate to you significant findings and issues arising during the audit in connection with SacRT'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 SacRT 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 25, 2020

Crowe LLP
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 ("SacRT") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered SacRT'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 SacRT's internal control. Accordingly, we do not express an opinion on the effectiveness of SacRT'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 SacRT'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 SacRT'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 25, 2020

RESOLUTION NO. 20-12-0149

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

December 14, 2020

RECEIVE AND FILE THE COMPREHENSIVE ANNUAL FINANCIAL REPORT AND DESIGNATE THE RESERVE FOR FISCAL YEAR JUNE 30, 2020.

NOW THEREFORE RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Board hereby receives and files the Comprehensive Financial Report (CAFR), Reports on Compliance and Internal Controls for the Fiscal Year Ended June 30, 2020, as required by the Uniform Guidance and the Transportation Development Act; and

THAT, the Board hereby directs the General Manager/CEO to designate $3,692,795 to SacRT's Operating Reserve, which funds may only be used as governed by the Board adopted Comprehensive Reserve Policy of 2019.

____

STEVE HANSEN, Chair

A T T E S T:

HENRY LI, Secretary

By: ________________________________

Cindy Brooks, Assistant Secretary