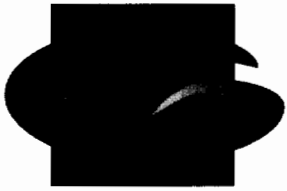


**RETIREMENT PLAN FOR
SACRAMENTO REGIONAL
TRANSIT DISTRICT
EMPLOYEES WHO ARE
MEMBERS OF ATU LOCAL 256
AND IBEW LOCAL 1245**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2002 AND
THE EIGHTEEN MONTH
PERIOD ENDED
JUNE 30, 2001**



Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

**The Retirement Board
Sacramento Regional Transit District**

We have audited the accompanying statements of plan net assets of the Retirement Plan for Sacramento Regional Transit District Employees who are members of ATU Local 256 and IBEW Local 1245 (the Plan) as of June 30, 2002 and 2001, and the related statements of changes in plan net assets for the year ended June 30, 2002 and the eighteen month period ended June 30, 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets as of June 30, 2002 and 2001 and the changes in plan net assets for the year ended June 30, 2002 and the eighteen month period ended June 30, 2001 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Statement No. 25 of the Government Accounting Standards Board. These schedules are the responsibility of the Plan's management. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC

August 23, 2002

(Except for Note 5, as to which the date is September 30, 2002)

**RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256 AND IBEW LOCAL 1235**

**STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
ASSETS		
INVESTMENTS, AT FAIR MARKET VALUE:		
Common stock	\$ 43,184,116	\$ 46,425,432
Corporate bonds	<u>39,313,959</u>	<u>37,569,010</u>
Total investments	82,498,075	83,994,442
INTEREST, DIVIDENDS, AND OTHER RECEIVABLE	1,038,670	2,733,081
CASH AND CASH EQUIVALENTS	<u>2,985,516</u>	<u>8,398,909</u>
TOTAL ASSETS	86,522,261	95,126,432
LIABILITIES		
Accounts payable	<u>787,755</u>	<u>3,119,913</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 85,734,506</u>	<u>\$ 92,006,519</u>
(A schedule of funding progress for the Plan is presented on page 8)		

**RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256 AND IBEW LOCAL 1235**

**STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002 AND FOR THE EIGHTEEN MONTH
PERIOD ENDED JUNE 30, 2001**

	<u>2002</u>	<u>2001</u>
ADDITIONS		
Employer contributions	\$ 3,056,524	\$ 4,177,051
Investment Income:		
Net depreciation in fair value of investments	(8,511,650)	(5,822,392)
Interest, dividends, and other income	3,429,624	5,034,176
Investment expenses	<u>(340,816)</u>	<u>(484,877)</u>
Net investment income	<u>(5,422,842)</u>	<u>(1,273,093)</u>
Total additions	<u>(2,366,318)</u>	<u>2,903,958</u>
DEDUCTIONS		
Benefits paid to participants	3,742,646	5,078,346
Administrative expenses	<u>163,049</u>	<u>284,598</u>
Total deductions	<u>3,905,695</u>	<u>5,362,944</u>
NET DECREASE IN PLAN NET ASSETS	(6,272,013)	(2,458,986)
NET ASSETS HELD IN TRUST -BEGINNING OF YEAR	<u>92,006,519</u>	<u>94,465,505</u>
NET ASSETS HELD IN TRUST-END OF YEAR	<u>\$ 85,734,506</u>	<u>\$ 92,006,519</u>

**RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256 AND IBEW LOCAL 1245**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002 AND THE EIGHTEEN MONTH
PERIOD ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE PLAN

The Retirement Plan for Sacramento Regional Transit District Employees who are members of ATU Local 256 and IBEW Local 1245 (the Plan) is a noncontributory single employer defined benefit plan covering contract employees of Sacramento Regional Transit District (the District). The following brief description of the Plan is provided for information only. Participants should refer to the Plan agreement for more complete information.

General - The Plan provides defined pension, disability, and death benefits to employees who are members of the Amalgamated Transit Union (ATU) Local 256 and International Brotherhood of Electrical Workers (IBEW) Local 1245. Membership in the Plan commences upon hire. Contributions to the Plan are authorized or amended by the Retirement Board (which consists of not more than five members of the Sacramento Regional Transit District board of directors) based on a sound actuarial basis. The authority under which benefit provisions are established and amended rests with the District's Retirement Board and the unions.

Plan membership at June 30, consisted of:

	2002	2001
Retirees and beneficiaries currently receiving benefits	226	215
Terminated members entitled to but not yet collecting benefits	57	42
Current active members	696	646
	979	903

Retirement Benefits – A participant is eligible for normal service retirement upon attaining age 55 and completing 10 or more years of service. In addition, ATU members are eligible to retire upon reaching 25 years of service. The normal service retirement benefit is the greater of the benefit accrued under the plan provisions in effect on February 28, 1993 or the participant's benefit under the current plan provisions. Under the current plan provision, the participant receives a percentage of the average final earnings, as defined, multiplied by the participant's service at retirement. The percentage is equal to: a) 2.0%, if the participant retires prior to age 65, and b) 2.5%, if the participant retires at age 65 or later. The benefits begin at retirement and continues for the participant's life unless the participant elects to receive reduced benefits with continuing benefits to a beneficiary after death.

**RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256 AND IBEW LOCAL 1245**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002 AND FOR THE EIGHTEEN MONTH
PERIOD ENDED JUNE 30, 2001**

Disability Benefits – A participant is eligible for a disability benefit if the participant is unable to perform the duties of his or her job with the District, cannot be transferred to another job with the District, and has submitted satisfactory medical evidence of permanent disqualification from his or her job. Ten years of service is required to qualify for disability. The disability benefit is equal to 2% of the participant's average final earnings, as defined, 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 and Death Benefit – A participant's surviving spouse is eligible for a pre-retirement death benefit if the participant has completed 10 years of service with the District. The pre-retirement death benefit is the actuarial equivalent of the normal retirement benefit, as if the participant retired on the date of death. The death benefit begins when the participant dies and continues for the life of the surviving spouse or until remarriage.

Administration – The Plan is administered by the Retirement Board. All expenses incurred in the administration of the Plan are paid by the Plan.

Plan Termination – Should the Plan be terminated, plan net assets will first be applied to provide for retirement benefits to retired members. Any remaining net assets will be allocated to other members, oldest first, on the basis of the actuarial present value of their benefits.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. District contributions to the Plan or recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the Plan agreement.

Cash and Cash Equivalents – The Plan considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments – Investments are stated at fair market value measured by quoted market prices (or, if not available, at estimated fair value). Realized gains or losses on the sale of investments are recorded on the trade date as the difference between proceeds received and current value at the beginning of the year or cost if acquired during the year. Net appreciation (depreciation) in fair value of investments includes net unrealized market appreciation and depreciation of investments and net realized gains and losses on the sale of investments during the period. Interest income includes dividends and interest paid on the Plan investments.

**RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256 AND IBEW LOCAL 1245**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002 AND FOR THE EIGHTEEN MONTH
PERIOD ENDED JUNE 30, 2001**

Taxes on Income – Taxes on income are not provided because the Plan is exempt for income taxes.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Fiscal Year – Effective January 1, 2000, the Plan changed its year-end to June 30. Consequently, prior year financial statements of the Plan reflect operations for the eighteen month period ended June 30, 2001.

3. CONTRIBUTION REQUIREMENTS

The Plan's funding policy provides for actuarially determined periodic contributions. Contribution rates for retirement benefits are determined using the entry age normal cost method. During the year ended June 2002 and the eighteen month period ended June 30, 2001, contributions to the Plan were \$3,056,524 and \$4,177,051, respectively.

4. INVESTMENTS

Investments consist of the following:

	<u>2002</u>	<u>2001</u>
Cost:		
Common Stock	\$ 45,180,203	\$ 44,502,109
Corporate Bonds	40,865,217	37,638,184
Total	86,045,420	82,140,293
Adjustments to Market	<u>(3,547,345)</u>	<u>1,854,149</u>
Total	<u>\$ 82,498,075</u>	<u>\$ 83,994,442</u>

No investments in any one organization represent five percent or more of the Plan's assets.

The net appreciation (depreciation) in market value of each type of investment is as follows:

	<u>2002</u>	<u>2001</u>
Common Stock	\$ (7,029,565)	\$ (6,729,866)
United States Government Securities	0	702,012
Corporate Bonds	<u>(1,482,085)</u>	<u>205,462</u>
	<u>\$ (8,511,650)</u>	<u>\$ (5,822,392)</u>

**RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256 AND IBEW LOCAL 1245**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002 AND FOR THE EIGHTEEN MONTH
PERIOD ENDED JUNE 30, 2001**

5. SUBSEQUENT EVENT

Subsequent to June 30, 2002, the Plan has experienced a significant decline in the fair value of its investments. As of September 30, 2002, the fair value of the Plan's investments was approximately \$8,000,000 less than the June 30, 2002, carrying value.

SUPPLEMENTAL SCHEDULES

**RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256 AND IBEW LOCAL 1245**

**SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2002 AND FOR EIGHTEEN MONTH PERIOD
ENDED JUNE 30, 2001**

Actuarial Valuation Date	Actuarial Value of Plan Asset	Actuarial Accrued Liability (AAL)	Underfunded Actuarial Accrued Liability (UAAL) (Col 3-Col 2)	Funded Ratio (Col 2/Col 3)	Annual Covered Payroll	UAAL as a Percentage of Payroll (Col 3/Col 6)
12/31/92	\$ 37,523,994	\$ 43,550,082	\$ 6,026,088	86.2%	\$19,410,161	31.0%
12/31/93	43,042,379	47,443,635	4,401,256	90.7%	20,513,200	21.5%
12/31/94	46,569,870	51,925,088	5,355,218	89.7%	20,550,870	26.1%
12/31/95	49,310,919	55,391,806	6,080,887	89.0%	20,875,667	29.1%
12/31/96	58,122,152	64,804,069	6,681,917	89.7%	22,177,662	30.1%
12/31/97	64,077,757	67,162,919	3,085,162	95.4%	22,356,916	13.8%
12/31/98	71,629,412	80,272,636	8,643,224	89.2%	24,723,530	35.0%
12/31/99	82,011,422	86,230,074	4,218,652	95.1%	24,971,784	16.9%
12/31/00	91,244,708	92,516,769	1,272,061	98.6%	29,278,602	4.3%
06/30/02	100,236,751	101,635,599	1,398,848	98.6%	29,929,217	4.7%

**RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT
DISTRICT EMPLOYEES WHO ARE MEMBERS OF
ATU LOCAL 256 AND IBEW LOCAL 1245
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2002 AND FOR EIGHTEEN MONTH PERIOD
ENDED JUNE 30, 2001**

<u>Year Ending</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
12/31/92	\$ 1,889,958	\$ 1,893,303	100%
12/31/93	2,173,958	2,007,308	92%
12/31/94	2,153,886	2,195,589	102%
12/31/95	2,363,350	2,169,656	92%
12/31/96	2,505,080	2,380,290	95%
12/31/97	2,503,431	2,503,431	100%
12/31/98	2,382,468	2,382,468	100%
12/31/99	2,430,995	2,430,995	100%
12/31/00	2,718,332	2,718,332	100%
06/30/02	4,515,243	4,515,243	100%

In the Schedule of District Contributions, the Annual Required Contribution (ARC) was based on the contribution in dollars required by the most recent actuarial valuation for periods beginning before January 1, 1997. Beginning in 1997, the ARC is computed as a percentage applied to the District's actual covered payroll.

The table below summarized certain actuarial information from the most recent study:

Valuation Date:	July 1, 2002
Actuarial cost method:	Individual Entry Age
Amortization method:	Level Percentage Open Group
Remaining amortization period:	25 Years
Asset valuation method:	Market value adjustment to reflect investment earnings greater than (or less than) the assumed rate over a five-year period.
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.04% to 9.72%
Includes inflation at	4.00%
Cost of living adjustments	None