RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT DISTRICT SALARIED EMPLOYEES

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

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 Salaried Employees (the Plan) as of June 30, 2005 and 2004, and the related statements of changes in plan net assets for the years ended June 30, 2005 and June 30, 2004. 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 Plan net assets as of June 30, 2005 and 2004, and the changes in plan net assets for the year ended June 30, 2005 and June 30, 2004 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 accounting principles generally accepted in the United States of America. 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 26, 2005

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RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT DISTRICT SALARIED EMPLOYEES

STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
INVESTMENTS, AT FAIR MARKET VALUE:	$ 35,251,960	$ 33,716,515
CASH AND CASH EQUIVALENTS	2,120,147	462,205
INTEREST, DIVIDENDS, AND OTHER RECEIVABLE	420,116	703,685
TOTAL ASSETS	37,792,223	34,882,405
LIABILITIES		
Accounts payable	985,333	1,205,178
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 36,806,890	$ 33,677,227

(A schedule of funding progress for the Plan is presented on page 13)

The accompanying notes are an integral part of these financial statements.

RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT DISTRICT SALARIED EMPLOYEES

STATEMENTS OF CHANGES IN PLAN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004

	2005	2004
ADDITIONS		
Employer contributions	$ 2,510,204	$ 1,975,790
Investment income:		
Net depreciation in fair value of investments	1,986,762	3,687,371
Interest, dividends, and other income	823,554	863,600
Investment expenses	(120,461)	(121,732)
Net investment income	2,689,855	4,429,239
Total additions	5,200,059	6,405,029
DEDUCTIONS		
Benefits paid to participants	1,995,132	1,863,899
Administrative expenses	75,264	93,260
Total deductions	2,070,396	1,957,159
NET INCREASE IN PLAN NET ASSETS	3,129,663	4,447,870
NET ASSETS HELD IN TRUST -BEGINNING OF YEAR	33,677,227	29,229,357
NET ASSETS HELD IN TRUST-END OF YEAR	$ 36,806,890	$ 33,677,227

The accompanying notes are an integral part of these financial statements.

RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT DISTRICT SALARIED EMPLOYEES

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004

1. DESCRIPTION OF THE PLAN

The Retirement Plan for Sacramento Regional Transit District Salaried Employees (the Plan) is a noncontributory single employer defined benefit plan covering full or part-time employees in an authorized non-contract salaried job classification 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 salaried employees. Membership in the Plan commences immediately upon hire. Members' benefits are fully vested after nine years. Effective January 1, 2006, members of the Administrative Employees Association (AEA) and non-representative salary employees will be fully vested when a member has at least 5 years of service. Vesting period for the American Federation of State, County & Municipal Employees, Local 146, AFL-CIO (AFSCME) remains unchanged. Contributions to the Plan are authorized by the Retirement Board (Assembly Bill 1064, effective January 1, 2004, mandates that the Retirement Board be comprised of equal representation of management and salaried employees) based on a sound actuarial basis. The authority under which benefit provisions are established and amended rests with the District's Board of Directors.

Plan membership as of June 30, consisted of:

	2005	2004
Retirees and beneficiaries currently receiving benefits	87	80
Terminated members entitled to but not yet collecting benefits	55	49
Current active members	295	287
	437	416

Retirement Benefits – A participant is eligible for normal service retirement upon attaining age 55 and completing five or more years of service. The normal service retirement benefit is the greater of the benefit accrued under the plan provisions in effect on February 1, 1994 or the participant's benefit under the current plan provisions. Under the current plan provisions, the participant receives a percentage of the average final earnings, as defined, multiplied by the participant's service at retirement as follows:

Age/Service	Benefit
55 or 5-25 years	2.0%
56 or 26 years	2.125%
57 or 27 years	2.25%
65	2.5%

The benefits begin at retirement and continue for the participant's life unless the participant elects to receive reduced benefits with continuing benefits to a beneficiary after death.

1. DESCRIPTION OF THE PLAN (Continued)

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. Nine years of service is required to qualify for disability. Effective January 1, 2006, members of the AEA and non-representative salary employees will be eligible for disability retirement after 5 years of service. Service requirement for AFSCME remains unchanged. 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 nine 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 Boards. 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 are 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.

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

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 years ended June 30, 2005 and June 30, 2004, contributions to the Plan were $2,510,204 and $1,975,790, respectively.

4. CASH AND INVESTMENTS

DEPOSITS

At June 30, 2005 and 2004, the reported amount of the deposits of the Plan was $2,120,147 and $462,205, respectively. The amount was collateralized with securities held by the counterparty's trust department or agent in the Plan's name.

In accordance with GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", the Plan's deposits are categorized in the following manner:

Category 1 – Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the District's name.

The Plan's deposits by category as of June 30, 2004 are as follows:

	Category			
	1	2	3	Total
Money Market Accounts		$ 462,205		462,205
Total	$	$ 462,205	$	$ 462,205

4. CASH AND INVESTMENTS (Continued)

INVESTMENTS

An annual Board-adopted policy, the Statement of Investment Objectives and Policy Guidelines for Contract and Salaried Employees' Retirement Funds, governs the Plan's 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.

All of the Plan's investments are reported at fair value measured by quoted market prices.

The table below 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.

Authorized Investment Type	Maximum Maturity*	Minimum Rating	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Municipal Debt	None	Baa	None	None
U.S. Treasury Obligations	None	N/A	None	None
U.S. Agency Securities	None	N/A	None	None
Bankers' Acceptances	None	N/A	None	None
Commercial Paper	None	A2	None	None
Certificates of Deposit	None	N/A	None	None
Repurchase Agreements with US Treasury and Agencies as collateral	None	N/A	None	None
Corporate Debt	None	Baa	None	None
Mortgage Pass-Through Securities	None	None	None	None
Collateralized Mortgage Obligations	None	Aaa	None	None

* The fixed income portion of the Plans shall be limited in duration to between 75% and 125% of the Lehman Brother Aggregate Bond Index.

INVESTMENT RISK FACTORS

There are many factors that can affect the value of investments. Some such as interest rate risk, credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk 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.

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 shorter duration.

4. CASH AND INVESTMENTS (Continued)

The following table provides information about the interest rate risks associated with the Plan's investments for the year ended June 30, 2005. The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years.

	Less than 1	1 – 5	6 – 10	More than 10	No Maturity	Fair Value
Collateralized Mortgage Obligations			$ 215,753	$ 3,325,709		$ 3,541,462
Corporate Bonds		$ 901,904	452,628	2,106,689		3,461,221
Credit Card Receivable	$ 45,020					45,020
U.S. Government Agency Obligations				3,073,566		3,073,566
U.S. Government Issued Obligations		1,908,140	698,738	282,905		2,889,783
Asset Backed Obligations	67,158	78,929	374,805	1,671,089		2,191,981
Cash and Cash Equivalents					$ 2,120,147	2,120,147
Rights					3,823	3,823
Real Estate Investment Trust					205,934	205,934
Depository Receipts					1,157,909	1,157,909
Stocks					18,681,261	18,681,261
Total	$ 112,178	$ 2,888,973	$ 1,741,924	$ 10,459,958	$ 22,169,074	$ 37,372,107

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.

4. CASH AND INVESTMENTS (Continued)

The following table provides information on the credit ratings and fair value associated with the Plan's investments as of June 30, 2005.

Investment			Fair Value
Asset Backed Securities	Aaa	$	1,229,942
	Aa3		45,020
	Baa3		216,645
	Ba1		27,260
	Ba2		39,900
	Ba3		84,453
	Not Rated		593,780
Corporate Bonds	Aaa		113,105
	Aa3		562,314
	A1		640,770
	A2		289,669
	A3		153,210
	Baa1		267,041
	Baa2		724,193
	Baa3		710,920
Mortgage Backed Securities	Aaa		3,375,620
	Ba2		182,043
	Ba3		121,568
	Not Rated		1,738,186
Short-term Securities	Not Rated		2,114,904
Real Estate Investment Trust	Not Rated		205,934
U.S. Agencies	Aaa		1,349,367
U.S. Treasury	Aaa		2,738,027
Total Fiduciary Fund		$	17,523,871

4. CASH AND INVESTMENTS (Continued)

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments.

The investment policy of the Plan states that the investment in the securities of a single issuer shall not exceed 5% (at cost) of the value of the portfolio. None of the Plan investments in a single organization represent greater than 5% of its total investments.

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.

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 Plan's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

At June 30, 2004, the Plan's investments are categorized as to custodial risk in the following manner:

Category 1 –	Insured or registered, or securities held by the Plan or its agent in the Plan's name.
Category 2 –	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Plan's name.
Category 3 –	Uninsured and unregistered, with securities held by the counterparty, or by the counterparty's trust department or agent, but not in the Plan's name.
Uncategorized –	Investments in external investment pools not required to be categorized.

4. CASH AND INVESTMENTS (Continued)

The investments of the Plan by category as of June 30, 2004 are as follows:

	RISK CATEGORY				
	1	2	3	Uncategorized	Fair Value
Investments					
Common Stock	$ 19,275,058				$ 19,275,058
Corporate Bonds	14,441,457				14,441,457
Total Investments	$ 33,716,515	$ 0	$ 0	$ 0	$ 33,716,515

FOREIGN CURRENCY RISK

The Plan's investment policy states international equity shall be comprised of American Depository Receipts (ADR) of non-U.S. companies, common stocks of non-U.S. companies, preferred stocks of non-U.S. companies, foreign convertible securities including debentures convertible to common stocks, and cash equivalents.

The following table provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars. The Plan does have foreign currency deposits and investments which may be used for hedging purposes.

4. CASH AND INVESTMENTS (Continued)

At June 30, 2005, the U.S. dollar balances organized by investment type and currency denominations are as follows:

	Foreign Currency		2005 U.S. Dollars
Cash	Euro Currency	$	636
	Japanese Yen		4,645
	Pound Sterling		(37)
Rights	Singapore Dollar		3,823
Stocks	Canadian Dollar		35,374
	Euro Currency		1,774,955
	Japanese Yen		710,811
	Pound Sterling		688,747
	Singapore Dollar		34,374
	Swiss Franc		302,465
Total:		$	3,555,793

SUPPLEMENTAL SCHEDULES

RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT DISTRICT SALARIED EMPLOYEES

SCHEDULE OF FUNDING PROGRESS FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004

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 4/Col 6)
12/31/94	$ 11,631,500	$ 14,014,474	$ 2,382,974	83.0%	$ 9,039,821	26.4%
12/31/95	12,986,063	15,390,335	2,404,272	84.4%	9,112,039	26.4%
12/31/96	15,862,416	21,076,850	5,214,434	75.3%	9,477,613	55.0%
12/31/97	18,070,935	22,769,054	4,698,119	79.4%	9,634,399	48.8%
12/31/98	20,973,404	25,851,958	4,878,554	81.1%	10,809,672	45.1%
12/31/99	24,776,425	30,695,154	5,918,729	80.7%	11,848,442	50.0%
12/31/00	28,512,265	36,044,155	7,531,890	79.1%	13,703,551	55.0%
06/30/02	32,890,278	41,126,159	8,235,881	80.0%	15,576,351	52.9%
06/30/03	34,831,434	45,844,258	11,012,824	76.0%	15,979,167	68.9%
06/30/04	36,460,209	49,301,837	12,841,628	74.0%	20,162,636	63.7%

RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT DISTRICT SALARIED EMPLOYEES

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004

Year Ending	Annual Required Contributions	Actual Contributions	Percentage Contributed
12/31/94	$ 1,058,600	$ 886,131	84%
12/31/95	1,111,898	1,044,807	94%
12/31/96	1,157,229	1,131,067	98%
12/31/97	1,173,163	1,173,163	100%
12/31/98	1,362,337	1,362,337	100%
12/31/99	1,431,567	1,431,567	100%
12/31/00	1,745,800	1,745,800	100%
06/30/02	2,887,338	2,887,338	100%
06/30/03	2,044,485	2,044,485	100%
06/30/04	1,975,790	1,975,790	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, 2004
Actuarial cost method:	Individual Entry Age
Amortization method:	Level Percentage Open Group
Remaining amortization period:	23 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	4.00% to 5.82%
Includes inflation at	4.00%
Cost of living adjustments	None

(Note: This is the latest actuary study information received)