

**RETIREMENT PLAN FOR  
SACRAMENTO REGIONAL  
TRANSIT DISTRICT  
SALARIED EMPLOYEES**

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

**FOR THE YEARS ENDED JUNE 30, 2004  
AND JUNE 30, 2003**



**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, 2004 and 2003, and the related statements of changes in plan net assets for the years ended June 30, 2004 and June 30, 2003. 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, 2004 and 2003, and the changes in plan net assets for the year ended June 30, 2004 and June 30, 2003 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 20, 2004**

**RETIREMENT PLAN FOR SALARIED EMPLOYEES OF  
SACRAMENTO REGIONAL TRANSIT DISTRICT**

**STATEMENTS OF PLAN NET ASSETS  
JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>INVESTMENTS, AT FAIR MARKET VALUE:</b>		
Common stock	\$ 19,275,058	\$ 13,755,537
Corporate bonds	<u>14,441,457</u>	<u>13,495,160</u>
Total investments	33,716,515	27,250,697
 <b>INTEREST, DIVIDENDS, AND OTHER RECEIVABLE</b>	 703,685	 281,868
 <b>CASH AND CASH EQUIVALENTS</b>	 <u>462,205</u>	 <u>3,235,654</u>
 <b>TOTAL ASSETS</b>	 34,882,405	 30,768,219
 <b>LIABILITIES</b>		
Accounts payable	<u>1,205,178</u>	<u>1,538,862</u>
 <b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	 <u>\$ 33,677,227</u>	 <u>\$ 29,229,357</u>
 (A schedule of funding progress for the Plan is presented on Page 7)		

**RETIREMENT PLAN FOR SALARIED EMPLOYEES OF  
SACRAMENTO REGIONAL TRANSIT DISTRICT**

**STATEMENTS OF CHANGES IN PLAN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2004  
AND JUNE 30, 2003**

	<u>2004</u>	<u>2003</u>
<b>ADDITIONS</b>		
Employer contributions	\$ 1,975,790	\$ 2,044,485
Investment income:		
Net depreciation in fair value of investments	3,687,371	(311,023)
Interest, dividends, and other income	863,600	1,017,175
Investment expenses	<u>(121,732)</u>	<u>(103,778)</u>
Net investment income	<u>4,429,239</u>	<u>602,374</u>
Total additions	<u>6,405,029</u>	<u>2,646,859</u>
<b>DEDUCTIONS</b>		
Benefits paid to participants	1,863,899	1,507,054
Administrative expenses	<u>93,260</u>	<u>59,584</u>
Total deductions	<u>1,957,159</u>	<u>1,566,638</u>
<b>NET INCREASE IN PLAN NET ASSETS</b>	4,447,870	1,080,221
<b>NET ASSETS HELD IN TRUST -BEGINNING OF YEAR</b>	<u>29,229,357</u>	<u>28,149,136</u>
<b>NET ASSETS HELD IN TRUST-END OF YEAR</b>	<u>\$ 33,677,227</u>	<u>\$ 29,229,357</u>

# RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT DISTRICT SALARIED EMPLOYEES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2004 AND JUNE 30, 2003

### 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. Member's benefits partially vest after five years of service at actuarial adjusted amounts and are fully vested after nine years. 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:

	2004	2003
Retirees and beneficiaries currently receiving benefits	80	89
Terminated members entitled to but not yet collecting benefits	49	41
Current active members	287	252
	<u>416</u>	<u>382</u>

**Retirement Benefits** – A participant is eligible for normal service retirement upon attaining age 55 and completing nine 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. 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 continue for the participant's life unless the participant elects to receive reduced benefits with continuing benefits to a beneficiary after death.

**Disability Benefits** – A participant is eligible for a disability benefit if the participant is unable to perform the duties of his or her job with the District, cannot be transferred to another job with the District, and has submitted satisfactory medical evidence of permanent disqualification from his or her job. Nine 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.

# RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT DISTRICT SALARIED EMPLOYEES

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004 AND JUNE 30, 2003

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**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 participant must also be married three or more years prior to his or her death unless the death is caused by an accident. 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.

**RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT  
DISTRICT SALARIED EMPLOYEES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
AND JUNE 30, 2003**

**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, 2004 and June 30, 2003, contributions to the Plan were \$1,975,790 and \$2,044,485, respectively.

**4. INVESTMENTS**

Investments consist of the following:

	2004	2003
Cost:		
Common Stock	\$ 18,436,302	\$ 13,875,777
Corporate Bonds	14,378,299	13,498,192
Total	32,814,601	27,373,969
Adjustment to Market	901,914	(123,272)
Total	\$ 33,716,515	\$ 27,250,697

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:

	2004	2003
Common Stock	\$ 3,621,182	\$ (890,614)
Corporate Bonds	66,189	579,591
	\$ 3,687,371	\$ (311,023)

## **SUPPLEMENTAL SCHEDULES**



**RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT  
DISTRICT SALARIED EMPLOYEES**

**SCHEDULE OF FUNDING PROGRESS  
FOR THE YEARS ENDED JUNE 30, 2004  
AND JUNE 30, 2003**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Asset</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Underfunded Actuarial Accrued Liability (UAAL) (Col 3-Col 2)</b>	<b>Funded Ratio (Col 2/Col 3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a Percentage of Payroll (Col 4/Col 6)</b>
12/31/93	\$ 10,221,104	\$ 12,474,727	\$ 2,253,623	81.9%	\$ 9,125,862	24.7%
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%

**RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT  
DISTRICT SALARIED EMPLOYEES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEARS ENDED JUNE 30, 2004  
AND JUNE 30, 2003**

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<u>Year Ending</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
12/31/93	\$ 676,566	\$ 699,243	103%
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%

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, 2003
Actuarial cost method:	Individual Entry Age
Amortization method:	Level Percentage Open Group
Remaining amortization period:	24 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)