Sacramento Regional Transit District

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2014 and 2013

Regional Transit

1400 29th Street
P.O. Box 2110
Sacramento, CA 95812-2110

916-321-2800 • sacrt.com

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2014 and 2013

Regional Transit

Sacramento Regional Transit District

Prepared by the Finance Division

TABLE OF CONTENTS

Introductory Section

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 8, 2014

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

The Sacramento Regional Transit District (the District) is required to undergo an annual audit in conformity with the provisions of the Single Audit Act and U.S. Office of Management and Budget Circular A-133 as it pertains to audits of state and local governments. State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller of the United States within 6 months of the close of each fiscal year. Pursuant to that requirement, the District hereby issues the Comprehensive Annual Financial Report (CAFR) of the District for the fiscal years ended June 30, 2014 and 2013.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District annually commissions an independent audit of its account records, consistent with the Sacramento Regional Transit District Board of Directors' (Board) fiduciary duty to preserve and protect District assets and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Gilbert Associates, Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the District's financial statements for the fiscal years ended June 30, 2014 and 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there are no material weaknesses to report and that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal years ended June 30, 2014 and 2013, are fairly presented in conformity with GAAP.

The independent audit of the financial statements of the District was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District’s separately-issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the independent auditor’s report of Gilbert Associates, Inc.

Profile of the District

The District began operation on April 1, 1973, with the acquisition of the Sacramento Transit Authority. The District is the largest public transportation provider in the Sacramento region, serving a metropolitan population of over 1.4 million with a service area of 418 square miles. In 1971, California legislation allocated sales tax money for local and statewide transit service, and created the organizational framework for the District pursuant to the Sacramento Regional Transit District Act.

An 11-member Board of Directors is responsible for governing the District. The Board is comprised of four members of the Sacramento City Council, three members of the Sacramento County Board of Supervisors, one member of the Rancho Cordova City Council, one member of the Citrus Heights City Council, one member of the Folsom City Council and one member of the Elk Grove City Council. The Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring both the District’s General Manager/Chief Executive Officer (GM/CEO) and Chief Counsel. The District’s GM/CEO is responsible for carrying out the policies and ordinances of the Board for overseeing the day-to-day operations of the District, and for appointing the executive management of the various divisions.

The District provides bus and light rail service 365 days a year covering a 418 square-mile service area. Annual ridership has steadily increased on both the bus and light rail systems from 14 million passengers in 1987, when light rail operations began, to approximately 26 million passengers in fiscal year ended June 30, 2014. The District’s entire bus and light rail system is accessible to the disabled community. Additionally, through a contract with Paratransit, Inc., the District provides origin-to-destination transportation service (in accordance with the Americans with Disabilities Act of 1990) for people that are unable to use fixed-route service.

The District’s annual budget serves as the foundation for financial planning and control. The budget is a financial plan for one fiscal year of operating revenue and expenses, and capital investments. The plan matches revenues with the service expenses and project cost expenses based on policies set by the District’s Board. The budget process follows three basic steps that help provide continuity in decision making: 1.) assess current conditions and needs, and develop goals, objectives, policies and plans; 2.) prioritize projects and develop a work program, and 3.) implement those plans and policies, and prepare to evaluate their effectiveness and shortcomings.

All division executive managers for the District are required to submit requests for appropriation to the GM/CEO by the last business day of January each year. The District's GM/CEO uses these requests as the starting point for developing a proposed budget. The District's GM/CEO then presents this proposed budget to the Board for a 60-day public review period beginning in April. Following the review period, the District is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the District's fiscal year. The budget is prepared by fund (operating or capital), division and department (e.g., safety) or by capital project. The legal level of control is at the fund level, in which budget amendments are authorized by the Board. The responsible division executive manager and the GM/CEO authorize interdivisional transfers. The respective division directors and department managers authorize intra-divisional transfers and the responsible manager authorizes departmental transfers.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy

The District operates within the greater Sacramento region. The 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 2014 was 7.1 percent down from 8.9 percent in 2013. The Sacramento region is expected to see 1.8 percent annual job growth in 2015.

Residential construction, as measured by building permits, is projected to increase in fiscal year 2015 and continue to trend slightly higher over the next several years.

A significant portion of the District's operating funds are derived from sales tax revenues. Taxable sales increased by 4.6 percent in the Sacramento region in 2014 compared to 2013. It is estimated that taxable sales in 2015 will increase in the 5.0 percent range as compared to 2014 levels.

An improved housing market and modest job creation is a positive sign for continued economic improvement in the region, which will affect consumer spending.

Major Initiatives

TransitAction Plan – The TransitAction Plan, adopted by the Board in August 2009, represents the District's vision for the next 25 years. Prior to that, the last District's Transit Master Plan was produced in 1993. Since then the Sacramento region has seen significant population growth with an expanding low density land use form. With population and employment locations becoming even more dispersed, it has become even more challenging for the District to provide affordable, effective transit service.

In response to urban sprawl, the Sacramento Area Council of Governments (SACOG) has produced a land use "Blueprint" for the future of the region. The Blueprint is based on “smart growth” principles with a focus on high quality, higher density, mixed-use neighborhoods, which are designed with a greater emphasis on walking, cycling and transit use. These livable communities will be designed with “complete streets” so that there is less reliance on the private car providing for a more sustainable future.

Although the Sacramento region is in a slow growth period, traffic congestion is expected to worsen with long term population growth. The District provides a vital service to the region, but the continuing need remains for a comprehensive incremental change in the quality, coverage and frequency of transit to make it the mobility option of choice.

TransitRenewal – In addition, the District implemented the first phase of "TransitRenewal" in September 2012, a comprehensive operational analysis of the District’s entire bus and light rail system, gathered from community input and route analysis that resulted in recommendations on how to restore, restructure and "renew" transit service through 2017. Contingent upon sufficient funding, the goal of TransitRenewal is to restore the equivalent of the 20.1 percent of service that was discontinued in June 2010. Service improvements implemented in fiscal year 2013 (September 2012) include extended night service on light rail and nine major bus routes, increased frequency on highly-utilized bus routes, and restructured bus routes to better serve riders. A total of 8.5% of service has been restored toward the TransitRenewal goal.

South Line Phase 2 – South Line Phase 2 (Blue Line to Cosumnes River College) is the second phase of a two-phased 10.6 mile extension of the existing light rail line south to the City of Elk Grove. Revenue service is scheduled to begin in September 2015. The South Line Phase 2 Project includes the following three components:

i. Light Rail Extension – The South Line Phase 2 Project will extend the District’s light rail system 4.3 miles from the existing terminus at Meadowview Road to Cosumnes River College. Phase 2 involves the construction of four stations with three incorporating park and ride lots. This is an important regional project, as it will improve overall system accessibility, provide jobs and help improve air quality. The August 2013 groundbreaking of the South Line Phase 2 project at the site of the future Franklin light rail station marked the start of an expected two-year construction process of the entire extension. As of June 2014, 40 percent of the light rail extension work is complete,

ii. Parking Structure – The South Line Phase 2 Project also involves the addition of a four-story, 2,000-space parking structure located at the east entrance of Cosumnes River College. Built through a partnership between RT and the Los Rios Community College District, the parking structure was completed and opened in June 2013. The parking structure opening represented one of the first major milestones of the South Line Phase 2 project. On August 8, 2014 the Sacramento Chapter of the American Public Works Association named the parking structure their 2014 Project of the Year in the New Structure category.

iii. Aerial Bridges – The South Line Phase 2 Project also includes two aerial (light rail) bridges at Morrison Creek and Cosumnes River Boulevard. The aerial bridges structural work was completed ahead of schedule in December 2013.

Green Line to the Airport Light Rail Extension

The Green Line to the airport light rail expansion project is the continuation of Green Line to the River District (GL-1) (Richards Boulevard Redevelopment Area) across the American River and through South and North Natomas to the Sacramento International Airport.

The project proposes to add 12.8 miles of track and 13 stations, including 7 with park & ride facilities. The funded scope is limited to the Alternatives Analysis (Complete), the Draft Environmental Impact Statement/Environmental Impact Report (DEIS/R) and advanced Conceptual Engineering of key areas along the remaining portion of the corridor.

Smart Card – The District, along with SACOG and seven other transit agencies have embarked on a smart card based regional transit fare payment system named “Connect Transit Card,” that will serve customers in the Sacramento region. Included in the list of services to be offered by this program is the ability for the customer to pay for fare products online using a credit or debit card. With the implementation of the program, the District’s goals are to provide improved customer convenience, fare enforcement, real-time revenue settlement, revenue security, an improvement to ridership counts and improved service quality. Much headway on the project was made throughout 2014 by preparing light rail stations and buses with new equipment and prototype testing of the smart card systems. Live operations, starting region wide, is anticipated to commence in 2015.

Streetcar – The District with SACOG, the cities of Sacramento and West Sacramento and with the Yolo County Transit District (YCTD) are currently working on the planning and development of a future Streetcar project that would link Midtown, downtown Sacramento, the Bridge District and the City Hall complex in West Sacramento. Nationally, streetcar projects have demonstrated economic benefits and pedestrian mobility improvements and will provide similar benefits for local urban areas like Sacramento. The District will be submitting a Small Starts request to the Federal Transit Administration (FTA) during the beginning of 2015 for the Streetcar project.

Arena Project- The District is collaborating with the City of Sacramento on the new Downtown Arena/Entertainment Sports Complex now under construction. The District and the City’s goal is to provide enhanced transit services to serve the anticipated market for the nearly 17,000+ users who will attend the facility at each event. The Arena construction is estimated to be completed by fall 2016.

Bus Replacement – The District will take delivery of a new Gillig BRTPlus CNG Bus in November 2014. In addition to the new buses, the District will be procuring new fare boxes that will have the ability to disperse limited use Smart Cards which will complement the Connect Card program. This will be the first of 96 new buses to be procured through January 2017 to replace the District’s aging fleet.

Light Rail Vehicle Retrofit – The District is modifying the 21 light rail vehicles acquired from the Santa Clara Valley Transportation Authority to meet its operational requirements and provide service on the expanded light rail system. The vehicle modification is projected to be completed by September 2016.

Ridership Campaign – The ridership campaign known as “My Line” Continued in spring of 2014. The goal of the campaign is to encourage new riders to discover the benefits of taking transit. The promotional elements are designed to engage the audience in a personal way, so that they can connect their lifestyle with that of the person featured in the ads.

Balanced Funding Concepts

While the District has extensive plans for future expansion and improvement of light rail and bus services, it faces significant capital replacement and infrastructure maintenance needs for its existing bus and light rail systems. As a result, it is increasingly important to ensure the availability of financial resources to maintain existing levels of service and to fund capital and operating expenditures related to proposed expansion and service improvements. The 25-year vision balances high-priority needs with potential funding. There are three major sources of funding:

- Locally controlled federal and state funding sources (funding given to local governments and agencies to spend on their priority projects)
- Federal discretionary funding sources (designated by the federal government for a specific project)
- Locally raised money (from county sales tax, downtown parking revenues, and development fees)

Most of the federal and state revenues that the District receives are generated by the 5307/5309/5337 federal transit funds and the state transportation account, rather than general funds.

The District has specific and continuing Securities and Exchange Commission (SEC) disclosure requirements (Rule 15c2-12) in connection with the 2012 Series Revenue Bonds. The required continuing disclosure items and their locations within the CAFR are presented on page 72.

The District maintains two combined retirement plan Pension Trust funds for the District’s union employees, which accounts for the retirement fund of the members of ATU and IBEW and another for the District’s salaried employees. Each year, an independent actuary engaged by the respective Retirement Boards calculates the amount of the annual contribution that the District must make to the Trusts to ensure that each retirement plan will be able to fully meet its obligations to retired employees on a timely basis. The District fully funds each year’s annual required contribution to the Trusts as determined by the actuary.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2013 and 2012. 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 13th consecutive year that the District has received this award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of several departments and the tireless efforts of the finance department staff. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report, with special thanks to Brent Bernegger, CPA, Director of Finance/Treasury; Paul Selenis, Accounting Manager; Jamie Adelman, Senior Accountant; Nadia Mokhov, Senior Financial Analyst; and Jessica Shevlin, Senior Administrative Assistant.

Respectfully Submitted,

Michael R. Wiley
General Manager/CEO

Les Tyler
Chief Financial Officer, Acting

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento Regional Transit District

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Jeffrey R. Emer

Executive Director/CEO

Sacramento Regional Transit District

Board of Directors

Phil Serna, County of Sacramento, **Chair**
Jay Schenirer, City of Sacramento, **Vice Chair**
Linda Budge, City of Rancho Cordova
Steve Cohn, City of Sacramento
Steve Hansen, City of Sacramento
Pat Hume, City of Elk Grove
Roberta MacGlashan, County of Sacramento
Bonnie Pannell, City of Sacramento
Steve Miller, City of Citrus Heights
Andy Morin, City of Folsom
Don Nottoli, County of Sacramento

Board of Directors Alternates

Steven Detrick, City of Elk Grove
Susan Frost, City of Citrus Heights
David Sander, City of Rancho Cordova

General Manager/CEO

Michael R. Wiley

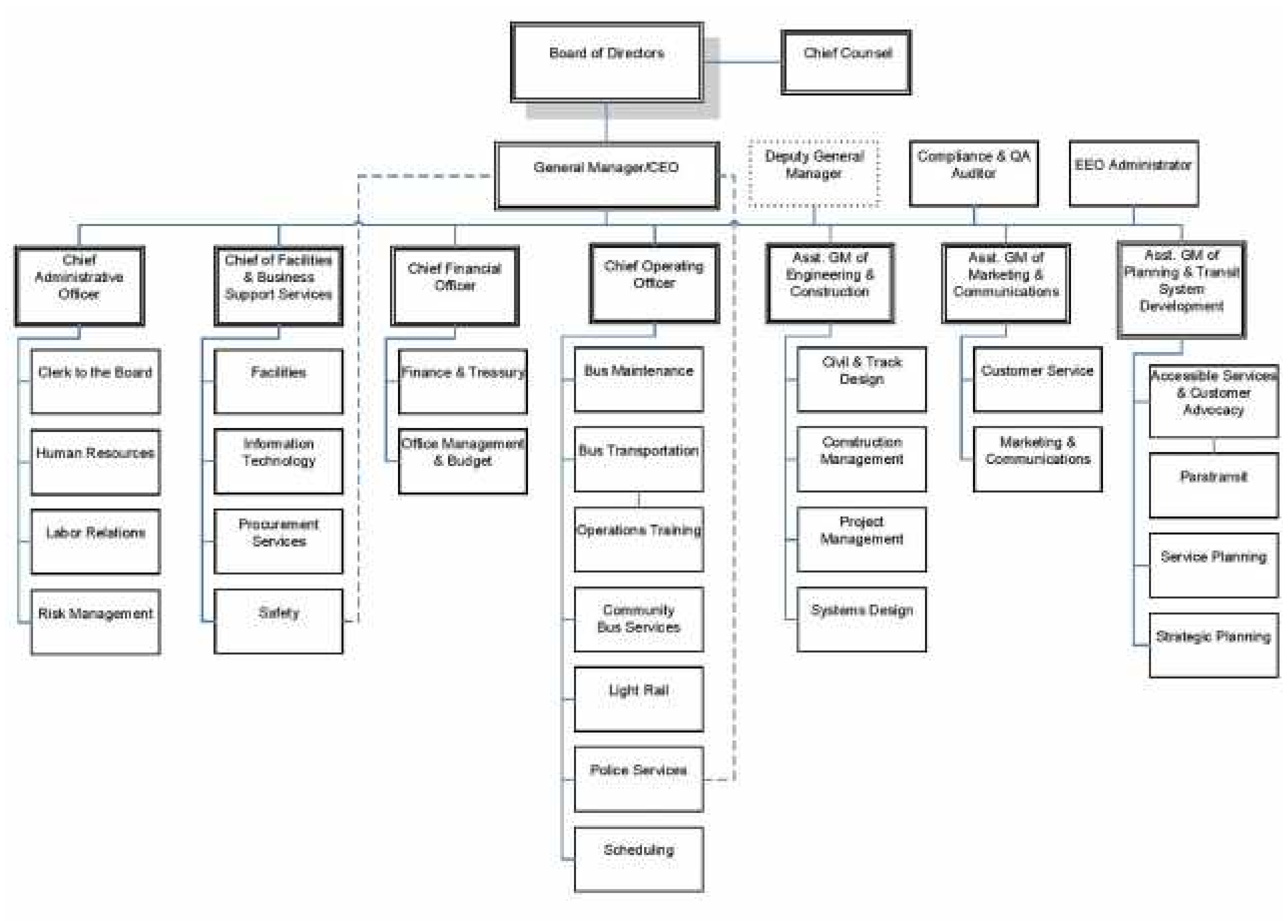
Chief Counsel

Bruce Behrens

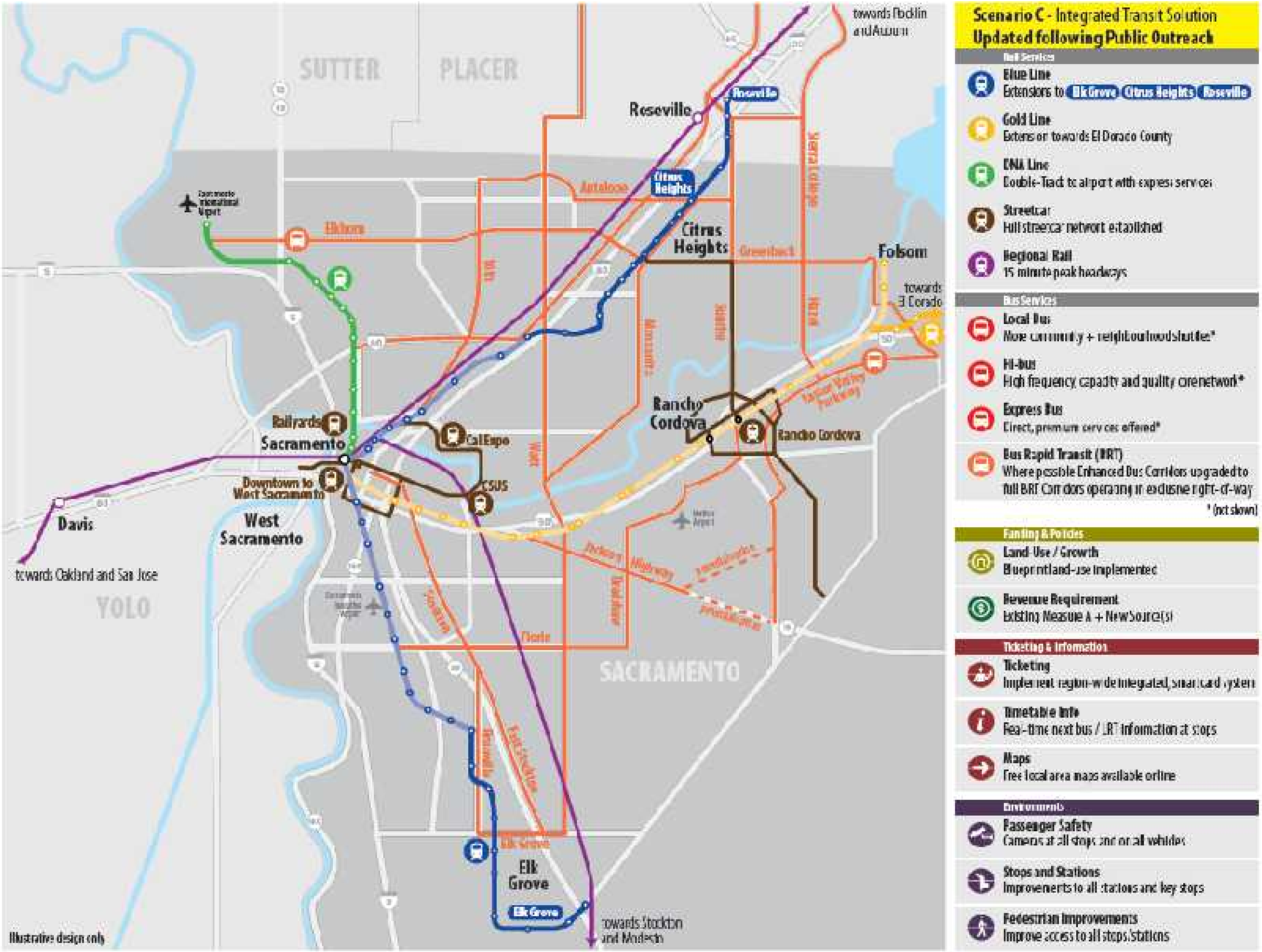
Executive Management Team

Dan W. Bailey, Chief Administrative Officer
Dee Brookshire, Chief Financial Officer
RoseMary Covington, Assistant General Manager of Planning & Transit System Development
Mark Lonergan, Chief Operating Officer
Alane Masui, Assistant General Manager of Marketing and Communications
Michael A. Mattos, Chief of Facilities & Business Support Services Division
Diane Nakano, Assistant General Manager of Engineering and Construction

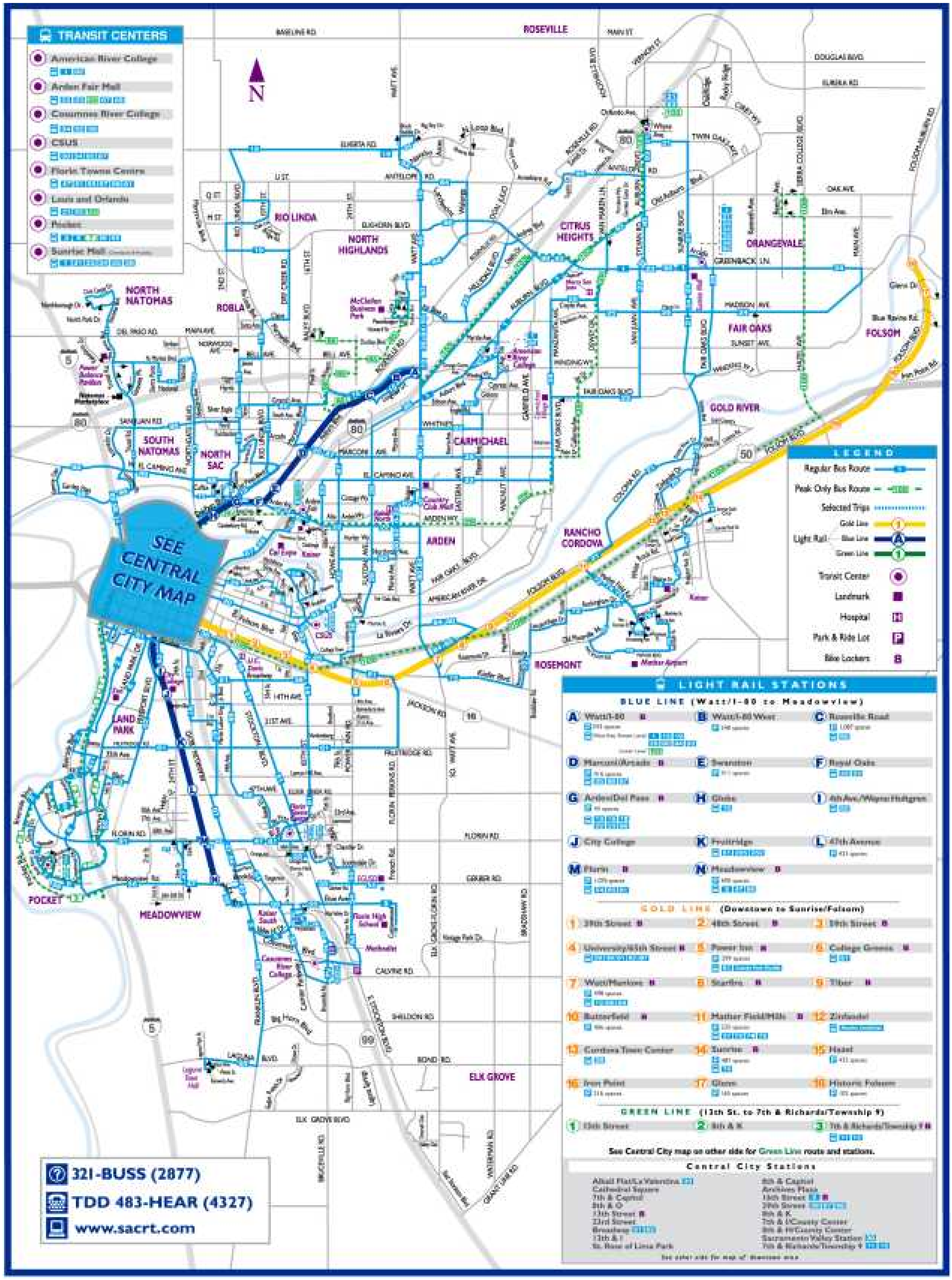
SACRAMENTO REGIONAL TRANSIT DISTRICT
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2014



2035 TRANSIT MASTER PLAN EXPANSION MAP



SACRAMENTO REGIONAL TRANSIT SERVICE AREA MAP



Financial Section

Gilbert Associates, Inc.
CPAs and Advisors
Relax. We got this.℠

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 pension trust funds of the Sacramento Regional Transit District (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District'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.

Auditor's Responsibility

Our responsibility is to express opinions 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 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.

2880 GATEWAY OAKS DRIVE, SUITE 100, SACRAMENTO | 101 PARKSHORE DRIVE, SUITE 100, FOLSOM | GILBERTCPA.COM | 916.646.6464

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 pension trust funds of the Sacramento Regional Transit District, as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, the cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 1, the District's pension trust funds adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. 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 and the schedules of funding progress as listed in the accompanying 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 the 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.

Other Information

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

The combining fiduciary funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 fiduciary funds financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory and statistical sections 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 7, 2014 on our consideration of the District'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 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 the District's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC
Sacramento, California

November 7, 2014

Management Discussion & Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the Sacramento Regional Transit District (District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities for the District for the fiscal years ended June 30, 2014 and 2013. 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 of the District exceeded its liabilities and deferred inflows of resources at June 30, 2014 and 2013 by $833,231,682 and $806,462,782 (net position), respectively. Of this amount, $1,210,865 and $2,845,191, respectively, is restricted for capital projects, $2,278,932 and $2,277,700, respectively, is restricted for debt service, $816,388,402 and $799,650,471, respectively, is net investment in capital assets, and $13,353,483 and $1,689,420, respectively, is unrestricted.

- The District's total net position increased for the year ended June 30, 2014 by 3.3 percent, or $26,768,900 compared to the year ended June 30, 2013. The District's total net position increased for the year ended June 30, 2013 by 1.9 percent, or $14,804,602, compared to the fiscal year ended June 30, 2012. These increases are primarily the result of capital contributions as the District expands its light rail system.

- The District's total liabilities and deferred inflows of resources increased by $2,570,514 for the fiscal year ended June 30, 2014 and increased by $114,463,697 during the fiscal year ended 2013. The net increase of $2,570,514 in fiscal year 2014 is due to borrowing funds under a loan from the State of California 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 Public Employee Pension Reform Act of 2012. This increase is mitigated by both a reduction in the use of the District's line of credit due to an early receipt of Section 5337 Federal preventive maintenance grant money and scheduled principal debt payments on the District's Revenue Bonds. The net increase of $114,463,697 in fiscal year 2013 is due to both the District's issuance of Farebox Revenue Bonds, Series 2012, and advances from the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B). These funds will be used for District capital projects, primarily the South Line Phase 2 light rail extension. Additional information on loans and debt activity can be found in Footnote 7 to the financial statements.

- During the fiscal year ended June 30, 2014, fare revenue decreased by $601,759 or 2.0 percent from the fiscal year ended June 30, 2013. This decrease is mainly due to a one time revenue recorded in the prior fiscal year stemming from the Los Rios Community College Student Transit Pass Program and riders utilizing their passes more frequently. Non-operating revenue increased by 4.6 percent in fiscal year 2014 due primarily to increases in Local Transportation and Measure A Funds generated by the state sales tax. During the fiscal year ended June 30, 2013, fare revenue increased by $794,531 or 2.7 from the fiscal year ended June 30, 2012. This increase was due to an increase in ridership from the September 2012 bus and light rail service restoration. Non-operating revenue increased by 4.7 percent due primarily to the increase in Federal preventive maintenance grant funds as well as the internal assignment of allocated State Transit Funds to operations rather than capital improvement.

- Total operating costs increased by 7.3 percent for the fiscal year ended June 30, 2014 and increased by 9.2 percent for the fiscal years ended June 30, 2013. The increase in fiscal year ending June 30, 2014 is primarily due to an increase in labor costs due to contractual rate, pension and medical cost increases as well as increases in security services. The increase in fiscal year ending June 30, 2013 can be attributed to an increase in labor costs due to the restoration of additional service, the end of pay freezes for several employee groups, pension and medical cost increases, security services due to contractual rate increases and additional night service, and paratransit services.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the financial statements and the notes to the financial statements.

Basic Financial statements – The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statements of net position present information on all the District's assets, liabilities and deferred inflows, with the difference between these items being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The statements of revenues, expenses and changes in net position presents information showing how the District's net position changed during the fiscal years ended June 30, 2014 and 2013. All changes in net position are reported as soon as the underlying event giving rise to the change occurs (such as the receipt of goods and services or submittal of claims for capital and operating revenue) regardless of the timing of related cash flows. In other words, the District reports expenses and revenues on an accrual basis rather than a cash basis. Since the District's primary function is to provide transportation services to the region's citizens and recover costs through user fees and charges, the financial statements include business-type activities. The District serves in a fiduciary capacity for the pension trust funds. The fiduciary fund statements are presented on an accrual basis and are included in these financial statements. The resources of the fiduciary funds are not available to support District programs.

The notes to the financial statements provide additional information that is essential to a full understanding of the financial data provided in the financial statements.

Statistical Section – In addition to the basic financial statements this report also includes a statistical section of selected financial information over a 10-year period when available.

Analysis of the Financial Statements

The financial statements provide both short-term and long-term information about the District's overall financial condition. This analysis addresses the financial statements of the District as a whole.

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities and deferred inflows by $833,231,682 and $806,462,782 at June 30, 2014 and 2013, respectively.

The vast majority of the District's total net position reflects investment in capital assets, less any related debt and unused proceeds used to acquire those assets still outstanding. These capital assets are used to provide bus and light rail services to the greater Sacramento area. Consequently, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of related debt, resources are needed to repay this debt and must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The increase in net position is due primarily to capital contributions as the District expands its light rail system.

A portion of the District's net position represents resources that are subject to external restrictions on how they may be used. Examples include grant funds advanced to the District for specified purposes by other related governmental agencies.

Sacramento Regional Transit District Net Position

	June 30, 2014	June 30, 2013	June 30, 2012
Capital Assets	$ 863,246,803	$ 822,604,999	$ 800,808,218
Current and Other Assets	231,928,341	243,230,731	135,759,213
Total Assets	1,095,175,144	1,065,835,730	936,567,431
Current Liabilities	80,530,197	88,812,432	57,409,588
Non-Current Liabilities	172,808,127	161,535,615	78,054,999
Total Liabilities	253,338,324	250,348,047	135,464,587
Deferred Inflows	8,605,138	9,024,901	9,444,664
Net Position			
Net Investment in Capital Assets	816,388,402	799,650,471	787,710,835
Restricted for:			
Capital Projects	1,210,865	2,845,191	4,473,809
Debt Service	2,278,932	2,277,700	-
Unrestricted	13,353,483	1,689,420	(526,464)
Total Net Position	$ 833,231,682	$ 806,462,782	$ 791,658,180

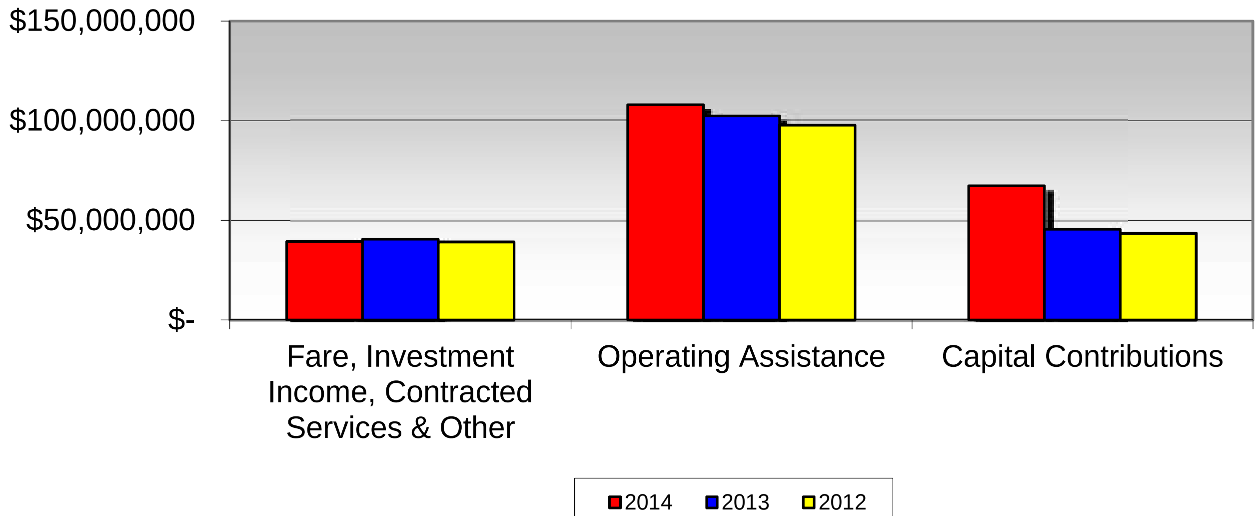
Sacramento Regional Transit District Changes in Net Position

	June 30, 2014	June 30, 2013	Percent Change
Operating Revenues:			
Fares	$ 29,156,920	$ 29,758,679	(2.0%)
Non-Operating Revenues:			
Operating Assistance	107,915,884	102,282,197	5.5%
Investment Income	1,940,958	1,754,549	10.6%
Other Revenue	8,392,955	9,020,558	(7.0%)
Total Operating and Non-Operating Revenue:	147,406,717	142,815,983	3.2%
Operating and Non-Operating Expenses:			
Labor & Fringe Benefits	94,755,499	88,064,241	7.6%
Professional & Other Services	26,129,599	24,995,853	4.5%
Spare Parts & Supplies	11,996,476	10,516,827	14.1%
Utilities	5,645,787	5,638,681	0.1%
Casualty & Liability Costs	8,343,014	7,909,686	5.5%
Depreciation & Amortization	33,982,082	31,380,082	8.3%
Other	1,460,421	1,396,466	4.6%
Indirect Costs Allocated to Capital Programs	(887,369)	(762,778)	16.3%
Interest Expense	3,222,795	2,522,462	27.8%
Pass through to Subrecipients	3,400,657	1,672,427	103.3%
Total Operating and Non-Operating Expenses:	188,048,961	173,333,947	8.5%
Loss Before Capital Contributions	(40,642,244)	(30,517,964)	33.2%
Capital Contributions:			
State and Local	18,899,423	35,836,495	(47.3%)
Federal	48,511,721	9,331,167	419.9%
Increase in Net Position Before Special Item	26,768,900	14,649,698	82.7%
Special Item: Gain on Extinguishment of Debt	-	154,904	N/A
Increase in Net Position After Special Item	26,768,900	14,804,602	80.8%
Net Position, July 1	806,462,782	791,658,180	1.9%
Net Position, June 30	$ 833,231,682	$ 806,462,782	3.3%

Sacramento Regional Transit District Changes in Net Position

	June 30, 2013	June 30, 2012	Percent Change
Operating Revenues:			
Fares	$ 29,758,679	$ 28,964,148	2.7%
Non-Operating Revenues:			
Operating Assistance	102,282,197	97,801,623	4.6%
Investment Income	1,754,549	2,456,152	(28.6%)
Other Revenue	9,020,558	7,729,442	16.7%
Total Operating and Non-Operating Revenue	142,815,983	136,951,365	4.3%
Operating and Non-Operating Expenses:			
Labor & Fringe Benefits	88,064,241	82,208,644	7.1%
Professional & Other Services	24,995,853	21,416,503	16.7%
Spare Parts & Supplies	10,516,827	9,784,687	7.5%
Utilities	5,638,681	5,587,066	0.9%
Casualty & Liability Costs	7,909,686	6,353,496	24.5%
Depreciation & Amortization	31,380,082	31,392,344	(0.0%)
Other	1,396,466	1,491,769	(6.4%)
Indirect Costs Allocated to Capital Programs	(762,778)	(823,572)	(7.4%)
Interest Expense	2,522,462	2,722,015	(7.3%)
Pass through to Subrecipients	1,672,427	4,216,435	(60.3%)
Total Operating and Non-Operating Expenses:	173,333,947	164,349,387	5.5%
Loss Before Capital Contributions	(30,517,964)	(27,398,022)	11.4%
Capital Contributions:			
State and Local	35,836,495	33,473,886	7.1%
Federal	9,331,167	10,015,897	(6.8%)
Increase in Net Position Before Special Item	14,649,698	16,091,761	(9.0%)
Special Item: Gain on Extinguishment of Debt	154,904	-	N/A
Increase in Net Position After Special Item	14,804,602	16,091,761	(8.0%)
Net Position, July 1 as restated	791,658,180	775,566,419	2.1%
Net Position, June 30 as restated	$ 806,462,782	$ 791,658,180	1.9%

REVENUES BY SOURCE



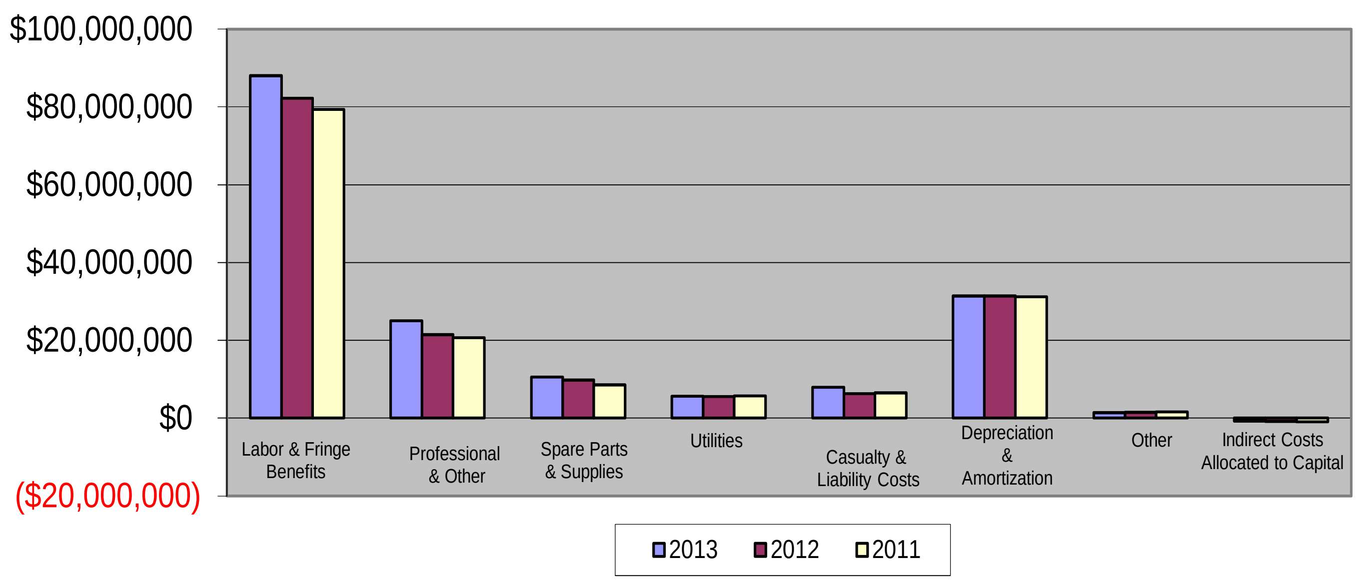
Revenue

Fares, investment income, contracted services, and other revenue decreased by a combined $1,042,953 or 2.6 percent for the fiscal year ended June 30, 2014 and increased by a combined $1,384,044 or 3.5 percent for the fiscal year ended June 30, 2013. The revenue decrease for fiscal year ended June 30, 2014 is primarily due to the decrease in Compressed Natural Gas (CNG) Federal Excise Tax Refunds, as a result of the expiration of the tax credit, and fare revenue. The revenue increase for fiscal year ended June 30, 2013, is primarily due to the 18 month extension of the Compressed Natural Gas (CNG) Federal Excise Tax Credit.

Operating assistance increased by $5,633,687 or 5.5 percent and $4,480,574 or 4.6 percent, for the fiscal years ended June 30, 2014 and June 30, 2013, respectively. The increase in fiscal year 2014 is the result of increased Measure A and Local Transportation Funds generated from sales tax. The increase in fiscal year 2013 is the result of an increase in Federal preventive maintenance grant funds as well as the internal assignment of allocated State Transit Funds to operations rather than capital improvement.

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 49.2 percent and 3.9 percent during the fiscal year ended June 30, 2014 and 2013, respectively. The increase for the years ended June 30, 2014 and June 30, 2013 is primarily the result of the Southline Phase 2 light rail extension.

OPERATING EXPENSES



Expenses

Total operating costs increased by 7.3 percent for the fiscal year ended June 30, 2014 and increased by 9.2 percent for the fiscal years ended June 30, 2013. The increase in fiscal year ending June 30, 2014, can be attributed to an increase in Labor and Fringe Benefits and labor costs due to contractual rate, pension and medical cost increases as well as increases in Professional and Other Services. The increase in fiscal year ending June 30, 2013, can be attributed to an increase in labor costs due to the restoration of additional service, the end of pay freezes for several employee groups, pension and medical cost increases, security services due to contractual rate increases and additional night service, and paratransit services.

Analysis of the District's Financial Position

The District's net position provides information on near term inflows, outflows, and balances of spendable resources. The District is reporting unrestricted net position as of June 30, 2014 of $13,353,483, an increase of $11,664,063, or 690.4 percent, in comparison with June 30, 2013, which reported unrestricted net position of $1,689,420, an increase of $2,215,884, or 420.9 percent from June 30, 2012. The increase in unrestricted net position in fiscal year 2014 was due to capital contributions which was mitigated by an operating loss. The increase in unrestricted net position in fiscal year 2013 was due to operating revenues exceeding operating expenses.

Capital Asset and Debt Activity

As of June 30, 2014, the District's investment in various capital assets, such as bus and light rail vehicles, facilities, land, buildings and equipment increased to $863,246,803 from $822,604,999 representing a 4.9 percent increase. As of June 30, 2013, the District's investment in various capital assets increased to $822,604,999 from $800,808,218 representing a 2.7 percent increase. Over the past two fiscal years, the most significant addition to the District's capital costs is related to construction in process on the Southline Phase 2 light rail extension project. Additional information on the capital assets can be found in Footnote 4 to the financial statements.

The District's Farebox Revenue Bonds decreased by $2,993,851 or 3.2% for the fiscal year ended June 30, 2014. The District issued $86,865,000 of Farebox Revenue Bonds, Series 2012, during the fiscal year ending June 30, 2013 to primarily fund construction on the Southline Phase 2 light rail extension. The District's remaining Certificates of Participation debt of $5,809,505 were refunded with the new debt issue. The Certificates of Participation notes were distributed in fiscal year 2004 for the purchase of light rail vehicles, trolley vehicles, related equipment and real property to be used as maintenance facilities. The District recorded a liability and a corresponding asset of $35,062,503 and $33,351,437 as of June 30, 2014 and 2013, respectively, resulting from its participation in three Lease/Leaseback transactions. Additional information on debt activity can be found in Footnote 6 and 7 to the financial statements.

Current Economic Factors and Conditions

The District has plans for future expansion and improvement of light rail and bus services. As of June 30, 2014, the District has construction contracts and property acquisition commitments of approximately $112,000,525.

Request for Information

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

Financial Statements

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF NET POSITION – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
JUNE 30, 2014 and 2013

	2014	2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 10,630,220	$ 10,807,406
Restricted Cash and Cash Equivalents	106,253,829	122,708,846
Investments	458,064	739,629
Receivables:		
State and Local Government	5,916,734	18,164,460
Federal Government	48,908,510	31,528,621
Other	5,095,276	5,384,173
Spare Parts and Supplies Inventory	16,787,900	16,697,336
Other Current Assets	90,100	59,601
Total Current Assets	194,140,633	206,090,072
Non-Current Assets:		
Investments	2,625,205	3,639,222
Deposits for Lease/Leaseback Payable	35,062,503	33,351,437
Prepaid Lease	100,000	150,000
Non-Depreciated Capital Assets	254,678,299	191,079,284
Depreciated Capital Assets, Net	608,568,504	631,525,715
Total Non-Current Assets	901,034,511	859,745,658
Total Assets	$ 1,095,175,144	$ 1,065,835,730

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

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF NET POSITION – BUSINESS TYPE ACTIVITIES - continued
ENTERPRISE FUND
JUNE 30, 2014 and 2013

	2014	2013
LIABILITIES		
Current Liabilities:		
Line of Credit	$ 13,300,000	$ 21,800,000
Accounts Payable	24,844,308	20,735,872
Other Accrued Liabilities	3,960,077	3,789,278
Compensated Absences	6,747,597	6,421,484
Interest Payable	1,407,774	1,695,325
Unearned Revenue	638,823	803,355
Advances from Other Governments	21,339,382	14,201,310
Claims Payable	4,405,679	6,787,036
Loan Payable	-	8,642,509
Revenue Bonds	3,078,851	2,993,851
Retention Payable	807,706	942,412
Total Current Liabilities	80,530,197	88,812,432
Long-Term Liabilities:		
Compensated Absences	2,689,133	2,748,482
Advances from Other Governments	17,722,473	21,776,793
Claims Payable	14,418,162	11,652,270
Revenue Bonds	88,927,782	92,006,633
Loan Payable	13,988,074	-
Lease/Leaseback Payable	35,062,503	33,351,437
Total Long-Term Liabilities	172,808,127	161,535,615
DEFERRED INFLOW OF RESOURCES		
Deferred Gain on Lease/Leaseback	8,605,138	9,024,901
NET POSITION		
Net Investment in Capital Assets	816,388,402	799,650,471
Restricted for:		
Capital Projects	1,210,865	2,845,191
Debt Service	2,278,932	2,277,700
Unrestricted	13,353,483	1,689,420
Total Net Position	$ 833,231,682	$ 806,462,782

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

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Fares	$ 29,156,920	$ 29,758,679
OPERATING EXPENSES		
Labor and Fringe Benefits	94,755,499	88,064,241
Professional and Other Services	26,129,599	24,995,853
Spare Parts and Supplies	11,996,476	10,516,827
Utilities	5,645,787	5,638,681
Casualty and Liability Costs	8,343,014	7,909,686
Depreciation and Amortization	33,982,082	31,380,082
Indirect Costs Allocated to Capital Programs	(887,369)	(762,778)
Other	1,460,421	1,396,466
Total Operating Expenses	181,425,509	169,139,058
Operating Loss	(152,268,589)	(139,380,379)
NON-OPERATING REVENUES (EXPENSES)		
Operating Assistance:		
State and Local	75,295,809	71,275,441
Federal	32,620,075	31,006,756
Investment Income	1,940,958	1,754,549
Interest Expense	(3,222,795)	(2,522,462)
Pass-Through to Subrecipients	(3,400,657)	(1,672,427)
Contract Services	5,529,534	5,606,614
Other	2,863,421	3,413,944
Total Non-Operating Revenues	111,626,345	108,862,415
Loss Before Capital Contributions	(40,642,244)	(30,517,964)
Capital Contributions:		
State and Local	18,899,423	35,836,495
Federal	48,511,721	9,331,167
Increase in Net Position Before Special Item	26,768,900	14,649,698
Special Item: Gain on Extinguishment of Debt (Note 7)	-	154,904
Increase in Net Position After Special Item	26,768,900	14,804,602
Net Position, July 1	806,462,782	791,658,180
Net Position, June 30 as restated	$ 833,231,682	$ 806,462,782

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

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 29,275,510	$ 30,256,614
Cash Received from Contract Sources	5,529,534	5,606,614
Cash Paid to Suppliers	(49,288,095)	(48,236,102)
Cash Paid to Employees	(93,430,567)	(86,452,538)
Cash Received from Other Sources	2,845,873	3,413,943
Net Cash (Used in) Operating Activities	(105,067,745)	(95,411,469)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Local Receipts	75,024,703	74,231,474
Federal Receipts	42,449,241	26,556,267
Pass-Through to Subrecipients	(3,400,657)	(1,672,427)
Advances on the Line of Credit	54,400,000	42,400,000
Payments on the Line of Credit	(62,900,000)	(30,600,000)
Net Cash Provided by Noncapital Financing Activities	105,573,287	110,915,314
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(72,300,066)	(51,696,179)
Principal Payments on Certificates of Participation	-	(5,740,000)
Principal Payments on Revenue Bonds	(2,710,000)	
Issuance Costs Incurred on Revenue Bonds	-	(559,784)
Interest Paid	(4,826,713)	(857,156)
Proceeds from Loan Payable	13,988,074	412,470
Payments on Loan Payable	(8,642,509)	-
Proceeds from Revenue Bonds	-	95,179,468
Proceeds from Sale of Capital Assets	17,548	-
State and Local Capital Grants	34,502,007	44,264,699
Federal Capital Grants	21,302,666	9,002,373
Net Cash Provided by (Used in) Capital and Related Financing Activities	(18,668,993)	90,005,891
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	1,865,352	26,876,190
Purchases of Investments	(583,809)	(1,962,508)
Investment Income	249,705	480,735
Net Cash Provided by Investing Activities	1,531,248	25,394,417
Net Increase (Decrease) in Cash and Cash Equivalents	(16,632,203)	130,904,153
Cash and Cash Equivalents, July 1	133,516,252	2,612,099
Cash and Cash Equivalents, June 30	$ 116,884,049	$ 133,516,252
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and Cash Equivalents	$ 10,630,220	$ 10,807,406
Restricted Cash and Cash Equivalents, Current	106,253,829	122,708,846
Total Cash and Cash Equivalents	$ 116,884,049	$ 133,516,252

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

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS – BUSINESS TYPE ACTIVITIES
ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 and 2013

	2014	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating Loss	$ (152,268,589)	$ (139,380,379)
Adjustments to Reconcile Net Loss from Operations to Net Cash Used in Operating Activities:		
Depreciation	34,401,844	31,240,061
Amortization	(419,762)	140,021
Contract Services Nonoperating Income	5,529,534	5,606,614
Miscellaneous Nonoperating Income	2,845,873	3,413,943
Effect of Changes in:		
Other Receivables	283,122	74,212
Spare Parts and Supplies Inventory	(90,564)	(472,919)
Other Current Assets	(30,499)	(3,403)
Prepaid Lease	50,000	50,000
Accounts, Other Accrued and Retention Payable	4,144,529	3,108,374
Compensated Absences and Other	266,764	241,936
Unearned Revenue	(164,532)	423,723
Reserve for Claims	384,535	146,348
Net Cash (Used in) Operating Activities	$ (105,067,745)	$ (95,411,469)

	2014	2013
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Interest Income from Investments Held to Pay Lease/Leaseback	$ 1,711,066	$ 1,725,797
Interest Expense on Capital Lease/Leaseback	(1,711,066)	(1,725,797)
Reduction of Deposits for Lease/Leaseback Payment by Payment Undertaker	-	3,857,272
Payment of Lease/Leaseback Payable by Payment Undertaker	-	(3,857,272)
NET NON-CASH INVESTING AND FINANCING ACTIVITIES	$ -	$ -

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

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 13,693,518	$ 9,340,395
Interest, Dividends, and Other Receivables	2,511,817	16,540,244
Total Current Assets	16,205,335	25,880,639
Long-Term Investments:		
Equity Securities	146,098,774	132,915,236
Fixed Income Securities	93,940,952	82,065,476
Total Long-Term Investments	240,039,726	214,980,712
Total Assets	256,245,061	240,861,351
LIABILITIES		
Liabilities:		
Securities Purchased Payable	14,268,440	28,158,801
Accounts Payable	654,000	705,376
Total Liabilities	14,922,440	28,864,177
NET POSITION RESTRICTED FOR PENSION BENEFITS	$ 241,322,621	$ 211,997,174

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

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
ADDITIONS		
Contributions:		
Employer	$ 16,320,190	$ 14,493,114
Member	24,103	14,416
Total Contributions	16,344,293	14,507,530
Investment Income:		
Net Increase in Fair Value of Investments	29,601,544	23,688,270
Interest, Dividends, and Other Income	3,359,164	3,409,525
Investment Expenses	(1,031,245)	(978,516)
Net Investment Income	31,929,463	26,119,279
Total Additions	48,273,756	40,626,809
DEDUCTIONS		
Benefits Paid to Participants	18,541,577	17,517,586
Administrative Expenses	406,732	281,739
Total Deductions	18,948,309	17,799,325
Increase in Net Position	29,325,447	22,827,484
Net Position, Restricted for Pension Benefits - July 1	211,997,174	189,169,690
Net Position, Restricted for Pension Benefits - June 30	$ 241,322,621	$ 211,997,174

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

1. SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Sacramento Regional Transit District (District) was established in 1973 pursuant to the Sacramento Regional Transit District Act. The District has the responsibility to develop, maintain, and operate a public mass transit transportation system for the benefit of the residents of the Sacramento area. The District is governed by a Board of Directors appointed by the Sacramento City Council, the Sacramento County Board of Supervisors, the Elk Grove City Council, the Citrus Heights City Council, the Rancho Cordova City Council, and the Folsom City Council.

As required by Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" and its amendment GASB No. 61, the District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity has a significant operational and financial relationship with the District.

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

BASIS OF PRESENTATION

The accounts of the District are organized and operated on the basis of funds, each of which is considered an independent fiscal and accounting entity. The activities of each fund are accounted for with a separate set of self-balancing statements that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses, as appropriate. These statements distinguish between the business-type and fiduciary activities of the District. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's statements are organized into the following fund types:

Proprietary Fund Type

The ***Enterprise Fund*** distinguishes operating revenues and expenses from non-operating items. The District's operating revenues are generated directly from its transit operations and consist principally of passenger fares. Operating expenses for the transit operations include all costs related to providing transit services. These costs include labor, fringe benefits, materials, supplies, services, utilities, leases, rentals, and depreciation on capital assets. All other revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. Unrestricted net position for the enterprise fund represents the net position available for future operations.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Type

The ***Pension Trust Funds*** are used to account for assets held by the District in a trustee capacity. The District maintains the following Pension Trust Funds:

The Amalgamated Transit Union (ATU) Local 256 and International Brotherhood of Electrical Workers (IBEW) Local 1245 Member Retirement Plan Fund (ATU/IBEW) accounts for the retirement funds of members of ATU Local 256 and IBEW Local 1245.

The Salaried Employees Retirement Plan Fund (Salaried) accounts for the retirement funds of the District's salaried employees.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund and the pension trust funds are accounted for on a flow of economic resources measurement focus. This measurement focus emphasizes the determination of increased/decreased net position. The accrual basis of accounting is used for the enterprise fund and the pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. District contributions to the pension trust funds are recognized in the period in which contributions are due, while benefits and refunds are recognized when due and payable in accordance with the pension trust funds plan agreements.

BUDGETARY INFORMATION

State law requires the adoption of an annual budget for the enterprise fund, which must be approved by the Board of Directors. The Budget is prepared on an accrual basis. Budgetary control is maintained at several levels. The legal level of control is at the fund level. The Board of Directors authorizes budget amendments to the fund level. Line item reclassification amendments to the budget must be authorized by the responsible manager. Operating expenses are monitored by department managers who are assigned responsibility for controlling their budgets. Emphasis is placed on the total budget for the division. Capital expenses operate under the control of a project-to-date budget.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

All investments are reported at fair value measured by quoted market prices.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

RESTRICTED ASSETS

Restricted Assets consists of monies and other resources, the use of which is legally restricted for capital projects and debt service.

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. 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.

Interest is capitalized on construction in progress. Accordingly, interest capitalized is the total interest cost from the date of the borrowing until the specified asset is placed in service.

It is the District’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.

COMPENSATED ABSENCES

The District’s policy allows employees to accumulate earned unused vacation and sick leave which can be paid to employees upon separation from the District, subject to a vesting policy. 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FEDERAL, STATE, AND LOCAL GRANT FUNDS

Grants are accounted for in accordance with the purpose for which the funds are intended. Approved grants for the acquisition of land, buildings, and equipment are recorded as capital contributions as the related grant conditions are met. Approved grants for operating assistance are recorded as revenues in the year in which the related grant conditions are met.

Advances received on grants are recorded as a liability until related grant conditions are met. The Transportation Development Act (TDA) provides that any funds not earned and not used may be required to be returned to their source.

When both restricted and unrestricted resources are available for the same purpose the District uses restricted resources first.

SELF-INSURANCE

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

USE OF ESTIMATES

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

NEW PRONOUNCEMENTS

For the fiscal year ended June 30, 2014, the District implemented the following new GASB pronouncement:

GASB Statement No. 67 (GASB 67) "Financial Reporting for Pension Plans," an amendment of GASB 25. This statement will revise existing standards for the financial reports of most defined benefit pension plans.

For the fiscal year ended June 30, 2013, the District implemented the following new GASB pronouncements:

GASB Statement 62 (GASB 62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of GASB 62 is to incorporate certain accounting and financial reporting guidance issued by the Financial Accounting Standards Board (FASB) or American Institute of Certified Public Accountants (AICPA) on or before November 30, 1989, into GASB's authoritative literature.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 63 (GASB 63) “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. Net assets are now reported as net position. Implementation of this statement has resulted in a change to the format of the basic financial statements and has been applied retroactively

GASB Statement No. 65 (GASB 65) “Items Previously Reported as Assets and Liabilities.” The objective of GASB 65 is to reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

For the year ended June 30, 2013, the beginning net position decreased by $138,573 as a result of the District’s implementation of GASB 65. The District’s 2003 Series-C Certificate of Participation issuance costs were previously deferred and amortized.

The following pronouncement will be implemented in fiscal year ended June 30, 2015:

In June of 2012, the GASB issued GASB Statement 68 (GASB 68), “Accounting and Financial Reporting for Pensions” – an amendment of GASB Statement No. 27, with required implementation for the District during the year ended June 30, 2015. GASB 68 is an amendment of GASB Statement 27, “Accounting for Pensions by State and Local Governmental Employers.” The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 is required to be implemented retroactively and will require a restatement of beginning net position.

2. CASH AND INVESTMENTS

As of June 30, 2014, and 2013, the cash and investments among all funds consisted of the following:

	2014	2013
Cash on hand	$ 147,359	$ 122,081
Cash and cash equivalents	130,430,208	142,734,566
Investments	243,122,995	219,359,563
Total Cash and Investments	$ 373,700,562	$ 362,216,210

The total cash and investments as of June 30, 2014, are reported in the accompanying basic financial statements as follows:

	Enterprise Fund	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	$ 10,630,220	$ -	$ 10,630,220
Investments	3,083,269	-	3,083,269
Total unrestricted	13,713,489	-	13,713,489
Restricted:			
Cash and cash equivalents	106,253,829	13,693,518	119,947,347
Investments	-	240,039,726	240,039,726
Total restricted	106,253,829	253,733,244	359,987,073
Total cash and investments	$ 119,967,318	$ 253,733,244	$ 373,700,562

The total cash and investments as of June 30, 2013, are reported in the accompanying basic financial statements as follows:

	Enterprise Fund	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	$ 10,807,406	$ -	$ 10,807,406
Investments	4,378,851	-	4,378,851
Total unrestricted	15,186,257	-	15,186,257
Restricted:			
Cash and cash equivalents	122,708,846	9,340,395	132,049,241
Investments	-	214,980,712	214,980,712
Total restricted	122,708,846	224,321,107	347,029,953
Total cash and investments	$ 137,895,103	$ 224,321,107	$ 362,216,210

2. CASH AND INVESTMENTS (Continued)

INVESTMENTS

The District pursues a program of safety, liquidity, and yield in its cash management and investment program in order to achieve maximum return on the Enterprise Fund's available funds. The Enterprise Fund's investment policy (pertaining to investment of surplus funds) is governed by an annual Board adopted policy, which is in compliance with the provisions of Articles 1 and 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code.

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

2. CASH AND INVESTMENTS (Continued)

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.

Authorized Investment Type	Maximum Maturity (1)	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 U.S. Treasury and Agency Securities as Collateral	None	N/A	None	None
Corporate Bonds	None	Baa	None	None
Mortgage Pass-Through Securities	None	None	None	None
Collateralized Mortgage Obligations	None	Aaa	None	None
Asset-Backed Securities	None	None	None	None
Mutual Funds	N/A	N/A	25% (2)	5%
Real Estate Investment Trust	N/A	N/A	25% (2)	5%
Depository Receipts	N/A	N/A	25% (2)	5%
Stocks	N/A	N/A	25% (2)	5%

(1) The fixed income portion of the ATU/IBEW and Salaried Plans shall be limited in duration to between 75% and 125% of the benchmark.
(2) No more than 25% of the fair value on the purchase cost basis of the total common stock portfolio (equity securities) shall be invested in a single industry at the time of purchase.

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.

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.

2. CASH AND INVESTMENTS (Continued)

The following table provides information about the interest rate risks associated with investments as of June 30, 2014.

	Maturities in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Fair Value
Enterprise Fund					
Corporate Bonds	$ 372,672	$ 467,558	$ -	$ -	$ 840,230
Asset-Backed Securities	-	285,936	-	-	285,936
Local Agency Investment Fund	84,057,072	-	-	-	84,057,072
CalTRUST	18,524,048	-	-	-	18,524,048
U.S. Government Agency Obligations	85,392	1,305,491	-	-	1,390,883
U.S. Government Issued Obligations	-	566,220	-	-	566,220
Total Enterprise Fund	$ 103,039,184	$ 2,625,205	$ -	$ -	$ 105,664,389
Fiduciary Funds					
ATU/IBEW and Salaried:					
Collateralized Mortgage Obligations	$ -	$ 363,661	$ 2,977,041	$ 7,637,213	$ 10,977,915
Corporate Bonds	1,139,096	6,470,913	3,527,154	3,763,174	14,900,337
Municipal Bonds	-	-	438,356	681,598	1,119,954
U.S. Government Agency Obligations	-	2,735	2,311,794	20,467,290	22,781,819
U.S. Government Issued Obligations	6,980,614	14,397,839	8,803,837	3,399,803	33,582,093
Asset-Backed Securities	-	-	1,513,343	9,065,491	10,578,834
Total Fiduciary Funds	$ 8,119,710	$ 21,235,148	$ 19,571,525	$ 45,014,569	$ 93,940,952

2. CASH AND INVESTMENTS (Continued)

The following table provides information about the interest rate risks associated with the District's investments as of June 30, 2013.

	Maturities in Years				
	Less than 1	1 – 5	6 – 10	More than 10	Fair Value
Enterprise Fund					
Corporate Bonds	$ 286,949	$ 811,565	$ -	$ -	$ 1,098,514
Asset-Backed Securities	-	204,173	-	-	204,173
Local Agency Investment Fund	119,445,404	-	-	-	119,445,404
Commercial Paper	99,869	-	-	-	99,869
U.S. Government Agency Obligations	352,812	1,738,651	-	-	2,091,463
U.S. Government Issued Obligations	-	884,832	-	-	884,832
Total Enterprise Fund	$ 120,185,034	$ 3,639,221	$ -	$ -	$ 123,824,255
Fiduciary Funds					
ATU/IBEW and Salaried:					
Collateralized Mortgage Obligations	$ -	$ 447,744	$ 3,282,652	$ 11,336,807	$ 15,067,203
Corporate Bonds	1,913,214	5,151,928	4,924,728	3,682,513	15,672,383
Municipal Bonds	-	147,936	511,095	860,904	1,519,935
U.S. Government Agency Obligations	-	5,169	2,670,433	18,228,014	20,903,616
U.S. Government Issued Obligations	2,034,567	15,002,039	1,020,850	2,093,446	20,150,902
Asset-Backed Securities	-	29,625	750,131	7,971,681	8,751,437
Total Fiduciary Funds	$ 3,947,781	$ 20,784,441	$ 13,159,889	$ 44,173,365	$ 82,065,476

MORTGAGE PASS-THROUGH SECURITIES

These securities 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 fair value of these securities.

COLLATERALIZED MORTGAGE OBLIGATIONS

Collateralized mortgage obligations (CMO's) 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.

CMO's 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.

2. CASH AND INVESTMENTS (Continued)

ASSET-BACKED SECURITIES

Asset-backed securities generate a return based upon either the payment of interest or principal on obligations in an underlying pool. The relationship between interest rates and prepayments make the fair value highly sensitive to changes in interest rates.

CALLABLE BONDS

Although bonds are issued with clearly defined maturities, an issuer may be able to redeem, or call, a bond earlier than its maturity date. The District or the Pension Trust Funds must then replace the called bond with a bond that may have a lower yield than the original bond. The call feature causes the fair value to be highly sensitive to changes in interest rates. As of June 30, 2014, the District held callable bonds with a fair value of $95,325. The ATU/IBEW and Salaried Pension Trust Funds held callable bonds with a fair value of $3,450,766.

As of June 30, 2013, the District held callable bonds with a fair value of $44,789. The ATU/IBEW and Salaried Pension Trust Funds held callable bonds with a fair value of $8,867,269.

CORPORATE DEBT – RANGE NOTES

Range notes are securities which pay two different interest rates depending on whether or not a benchmark index falls within a pre-determined range as structured per the note. If the benchmark index rate does not fall within the pre-determined range, the note will not earn the coupon rate for that time period. With this pre-determined range feature, range notes are highly sensitive to changes in interest rate. As of June 30, 2014 and 2013, the District did not hold any of these securities. As of June 30, 2014, the ATU/IBEW and Salaried Pension Trust Funds held range notes with a fair value of $446,243. As of June 30, 2013, the ATU/IBEW and Salaried Pension Trust Funds held range notes with a fair value of $461,132.

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.

2. CASH AND INVESTMENTS (Continued)

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.

For the fiscal years ending June 30, 2014 and 2013, 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 and fair value associated with cash and investments as of June 30, 2014:

Enterprise Fund		
Moody's Ratings	Fair Value	Percentage of Portfolio
Not applicable	$ 5,387,682	4.49%
Not rated	102,701,255	85.61%
Aaa/Aaa-mf/P1	11,038,151	9.20%
Aa1	88,627	0.07%
Aa2	61,057	0.05%
A1	481,053	0.40%
A2	148,430	0.12%
A3	61,063	0.05%
	$ 119,967,318	100.00%

Fiduciary Funds		
Moody's Ratings	ATU/IBEW and Salaried Fair Value	Percentage of Portfolio
Not applicable	$ 159,792,292	62.98%
Not rated	57,905,098	22.82%
Aaa	14,259,652	5.62%
Aa1	977,535	0.39%
Aa2	1,771,440	0.70%
Aa3	354,555	0.14%
A1	1,448,258	0.57%
A2	1,520,943	0.60%
A3	2,409,478	0.95%
Baa1	4,660,839	1.84%
Baa2	4,642,177	1.83%
Baa3	1,235,670	0.49%
Ba1	116,350	0.05%
Ba2	161,895	0.06%
Ba3	827,823	0.32%
B1	616,190	0.24%
B2	132,728	0.05%
Caa1	503,608	0.20%
Caa3	386,167	0.15%
Ca	10,546	0.00%
Total	$ 253,733,244	100.00%

2. CASH AND INVESTMENTS (Continued)

The following tables provide information on the credit ratings and fair value associated with investments as of June 30, 2013:

Enterprise Fund

Moody's Ratings	Fair Value	Percentage of Portfolio
Not applicable	$ 6,804,733	4.93%
Not rated	119,564,833	86.71%
Aaa/Aaa-mf/P1	10,427,024	7.56%
Aa1	77,244	0.06%
Aa2	127,692	0.09%
Aa3	50,175	0.04%
A1	576,151	0.42%
A2	267,251	0.19%
	$ 137,895,103	100.00%

Fiduciary Funds

Moody's Ratings	ATU/IBEW and Salaried Fair Value	Percentage of Portfolio
Not applicable	$ 142,255,631	63.42%
Not rated	32,782,618	14.61%
Aaa	26,066,985	11.62%
Aa1	161,421	0.07%
Aa2	2,330,204	1.04%
Aa3	594,388	0.26%
A1	1,980,502	0.88%
A2	1,153,566	0.51%
A3	3,561,172	1.59%
Baa1	2,931,397	1.31%
Baa2	6,144,684	2.74%
Baa3	924,069	0.41%
Ba1	403,728	0.18%
Ba2	149,447	0.07%
Ba3	497,729	0.22%
B1	250,690	0.11%
B2	403,456	0.18%
B3	392,918	0.18%
Caa1	498,613	0.22%
Caa3	758,752	0.34%
Ca	79,137	0.04%
Total	$ 224,321,107	100.00%

2. CASH AND INVESTMENTS (Continued)

CONCENTRATION OF CREDIT RISK

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

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. During fiscal years 2014 and 2013, the District had the following investments that comprised more than 5% of total investments in a single issuer aside from the Local Agency Investment Fund (LAIF):

	2014	2013
Federal National Mortgage Association	$ 405,861	$ 552,389
Federal Home Loan Mortgage Corporation	364,298	567,216
Federal Home Loan Bank	348,940	472,107
Federal Farm Credit Bank	216,340	439,534
	$ 1,335,439	$ 2,031,246

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. None of the Pension Trusts Funds' domestic or international equity fund managers' investments in a single company represents greater than 5% of the value of the portfolios and/or of the company's total outstanding shares. As of June 30, 2014 and 2013, the Plans held more than 5% of the Plans' investments in the following fixed-income securities investments:

	2014	2013
Federal National Mortgage Association	$ 21,236,745	$ 20,519,153
Federal Home Loan Bank	13,963,182	-
US Treasury	22,002,362	-

2. CASH AND INVESTMENTS (Continued)

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, 2014 and 2013, $2,579,415 and $6,927,776 respectively, of the District's deposits were in excess of federal depository insurance (FDIC) limits and were held in collateralized accounts with securities collateralized in the financial institutions' name.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market 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, 2014 and 2013, the District had no investment securities exposed to custodial credit risk. The Pension Trust Funds' investment securities are not exposed to custodial credit risk because all securities are held by the Pension Trust Funds' custodian bank.

INVESTMENT IN STATE INVESTMENT POOL AND CALTRUST

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Local Investment Advisory Board (LIAB). The LIAB consists of five members as designated by State statute. The fair market value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District did not directly enter into any derivative investments. The District's total investment in the LAIF at June 30, 2014 and 2013 was $84,057,072 and $119,445,404, respectively. The total fair value amount invested by all public agencies in LAIF at June 30, 2014 and 2013 was $21,119,834,294 and $21,212,245,833, respectively. The LAIF is part of the Pooled Money Investment Account (PMIA) whose balances as of June 30, 2014 and June 30, 2013 were $64,846,169,129 and $58,803,312,428, respectively. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities at June 30, 2014 and 2013, totaling $1,205,901,000 and $753,400,000, approximately 1.86% and 1.28% of the total portfolio, and structured notes totaling $0 and $400,000,000, approximately 0.00% and 0.68% of the total portfolio, respectively.

2. CASH AND INVESTMENTS (Continued)

The District is also a voluntary participant in the Investment Trust of California (CalTRUST) which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST, and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2014, the District investment in CalTRUST is $18,524,048, all of which is invested in the Short Term fund.

FOREIGN CURRENCY RISK

The current District investment policy does not address foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

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

The following table provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars. As of June 30, 2014, and 2013, the District does not have any deposits or investments in a foreign currency; however, the Pension Trust Funds do have foreign currency deposits and investments, which may be used for hedging purposes.

At June 30, 2013, the Pension Trust Funds had no investments held in foreign currency that were being used for hedging purposes. At June 30, 2014, the U.S. dollar balances organized by investment type and currency denominations for the Pension Trust Funds are as follows:

Fiduciary Funds:	Foreign Currency	2014 US Dollars
Cash	EURO	$ 528
Total:		$ 528

RESTRICTED CASH AND INVESTMENTS

Enterprise Fund

At June 30, 2014 and 2013, cash and investments include restricted amounts of the District's Enterprise Fund of $106,253,829 and $122,708,846, respectively. Amounts represent monies restricted for retirement of debt, developer fee projects, and grantor-approved projects.

Fiduciary Funds

At June 30, 2014 and 2013, cash and investments include restricted amounts of the Pension Trust Funds of $253,733,244 and $224,321,107, respectively. Amounts represent funds restricted for employees' retirement.

3. PREPAID LEASE

The District leases parking space from the State of California under a thirty-year lease expiring on June 30, 2017, with a fifteen-year no cost extension option. The total lease rental payments of $1,500,000 were prepaid by the District and are being expensed over a thirty-year period. The prepaid lease balance at June 30 is summarized as follows:

	2014	2013
Prepaid Lease, Balance	$ 150,000	$ 200,000
Less: Current Portion	(50,000)	(50,000)
Prepaid Lease, Non-current	$ 100,000	$ 150,000

4. CAPITAL ASSETS

Activity for the year ended June 30, 2014 was as follows:

Assets at Cost	Balance June 30, 2013	Additions	Transfers	Deletions	Balance June 30, 2014
Non-Depreciated Capital Assets					
Land*	$ 85,303,762	$ 25,045	$ -	$ -	$ 85,328,807
Capital Projects in Process	105,775,522	70,966,168	(7,392,198)	-	169,349,492
Total Non-Depreciated Capital Assets	191,079,284	70,991,213	(7,392,198)	-	254,678,299
Depreciated Capital Assets					
Buildings and Improvements*	737,290,172	2,080,922	3,717,340	-	743,088,434
Buses and Other Equipment	272,976,144	1,971,513	3,674,858	(2,955,451)	275,667,064
Total Depreciated Capital Assets	1,010,266,316	4,052,435	7,392,198	(2,955,451)	1,018,755,498
Accumulated Depreciation:					
Buildings and Improvements	(228,604,911)	(21,177,138)	-	-	(249,782,049)
Buses and Other Equipment	(150,135,690)	(13,224,706)	-	2,955,451	(160,404,945)
Total Accumulated Depreciation	(378,740,601)	(34,401,844)	-	2,955,451	(410,186,994)
Capital Assets Being Depreciated, Net	631,525,715	(30,349,409)	7,392,198	-	608,568,504
Capital Assets, Net	$ 822,604,999	$ 40,641,804	$ -	$ -	$ 863,246,803

*Land and Building – the values of the land and buildings at McClellan Park, approximately $3.7 million and $6.7 million, respectively, are included in these figures in anticipation of the District receiving future Fee Simple title. On January 5, 2007, a net lease and purchase agreement was recorded, giving the District a 94-year land and building leasehold and providing for a future transfer of Fee Simple title upon completion of Hazardous Materials clean-up by the United States Air Force.

4. CAPITAL ASSETS (Continued)

Pursuant to such transaction, the District acquired a leasehold interest in multiple buildings and some exterior parking and the right to use certain common areas at McClellan Park (formerly McClellan Air Force Base). Fee Simple title to the property is projected to be transferred to the District within the next two years. 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 $29.8 million of progress payments made pursuant to a Lease and Joint Use Agreement with Los Rios Community College District (Los Rios) that provides for the construction of a parking structure at Cosumnes River College. The District and Los Rios have agreed to make joint use of the parking structure and adjacent surface parking. The District's lease payments are the cost of construction. The term of the lease, expected to commence in September 2015 when the South Sacramento Corridor Phase II light rail extension commences revenue operations, 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. Los Rios commenced use of the parking garage in June 2013.

In fiscal year 2013, tax exempt Farebox Revenue Bonds were issued to finance specific transit related improvements. Accordingly, interest in the amount of $2,743,582 was capitalized in fiscal year 2014.

Activity for the year ended June 30, 2013 was as follows:

Assets at Cost	Balance June 30, 2012	Additions	Transfers	Deletions	Balance June 30, 2013
Non-Depreciated Capital Assets					
Land*	$ 85,226,659	$ -	$ 77,103	$ -	$ 85,303,762
Capital Projects in Process**	104,685,172	44,534,561	(43,444,211)	-	105,775,522
Total Non-Depreciated Capital Assets	189,911,831	44,534,561	(43,367,108)	-	191,079,284
Depreciated Capital Assets					
Buildings and Improvements*	696,193,179	2,850,380	38,246,613	-	737,290,172
Buses and Other Equipment	265,867,744	5,651,901	5,120,495	(3,663,996)	272,976,144
Total Depreciated Capital Assets	962,060,923	8,502,281	43,367,108	(3,663,996)	1,010,266,316
Accumulated Depreciation:					
Buildings and Improvements	(209,951,084)	(18,653,827)	-	-	(228,604,911)
Buses and Other Equipment	(141,213,452)	(12,586,234)	-	3,663,996	(150,135,690)
Total Accumulated Depreciation	(351,164,536)	(31,240,061)	-	3,663,996	(378,740,601)
Capital Assets Being Depreciated, Net	610,896,387	(22,737,780)	43,367,108	-	631,525,715
Capital Assets, Net	$ 800,808,218	$ 21,796,781	$ -	$ -	$ 822,604,999

In fiscal year 2013, tax exempt Farebox Revenue Bonds were issued to finance specific transit related improvements. Accordingly, interest in the amount of $2,055,956 was capitalized.

5. LINE OF CREDIT

For the purpose of short-term borrowing needs, the District has an unsecured line of credit (LOC) agreement with U.S. Bank National Association. The purpose of the line of credit is to meet the District's liquidity needs stemming from the timing of cash receipts from Federal and State awards. The line of credit with Wells Fargo Bank expired June 30, 2013. The District extended the line of credit from Wells Fargo Bank in the amount of $25,000,000 through December 28, 2013. Subsequently, the District entered into an agreement with U.S. Bank for a $29,000,000 line of credit with an effective date of November 1, 2013 and with an expiration date of October 31, 2014. Amendment No. 1 extended the line of credit facility to January 29, 2015. The line of credit with Wells Fargo Bank was closed out on November 1, 2013. The interest rate with Wells Fargo Bank was at either current LIBOR plus one and one-half percent on a fixed basis or current Prime on a variable basis. The interest rate with U.S. Bank for the used portion of the LOC was at LIBOR plus one percent and the unused portion was a fixed 0.575%.

As of June 30, 2014 and June 30, 2013, the District is in compliance with the short-term borrowing requirements stated under the California Government Code. Due to a cross-covenant requirement, related to the 2008 downgrade of AIG and Ambac, on the Wells Fargo Bank LOC and the SILO transaction, the District was required to seek matching forbearance from Wells Fargo Bank. Wells Fargo Bank provided matching extensions on the SILO transactions and the LOC from the onset of the downgrades of AIG and Ambac.

In addition to the forbearance related to the downgrade of AIG and Ambac, the SILO transaction required the District to replace U.S. Treasury Obligations if their rating fell below "Aaa" from Moody's or "AAA" from S&P. In August of 2011, S&P downgraded the U.S. Treasury Obligation to "AA+" which required the District to receive a cross-covenant forbearance from Wells Fargo Bank through June 30, 2013. On June 28, 2013 and October 1, 2013, Wells Fargo Bank extended that cross-covenant forbearance to September 30, 2013 and December 28, 2013, respectively. On October 16, 2013, the equity investor, District and Ambac agreed to amend the minimum rating requirements for the U.S. Treasury Obligations to "Aa2" from Moody's and "AA" from S&P. This, in conjunction with the termination of the Wells Fargo Bank Line of Credit on November 1, 2013, has removed the need for the District to seek additional cross-covenant forbearance as the U.S. Treasury's ratings by Moody's and S&P have remained consistent. Should those ratings decline, further forbearance would be required.

The LOC balance at June 30, 2014 and 2013, is summarized as follows:

	2014	2013
Beginning Balance	$ 21,800,000	$ 10,000,000
Draws	54,400,000	42,400,000
Payments	(62,900,000)	(30,600,000)
Ending Balance	$ 13,300,000	$ 21,800,000

6. LEASES

OPERATING LEASES

The District leases buildings, parking lots, and office facilities under non-cancelable operating leases. Total cost for such leases was $365,255 and $368,532, for the fiscal years ended June 30, 2014 and 2013, respectively. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
2015	$ 343,890
2016	317,058
2017	180,224
Total	$ 841,172

CAPITAL LEASES

FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK

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

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

6. LEASES (Continued)

In addition, the District purchased surety bonds from Ambac Assurance Corporation ("Ambac"), a bond insurance company, to guarantee certain termination payments that are in the nature of stipulated damages, by the District in the event the lease/leaseback transactions were terminated, in whole or in part, prior to each Sublease expiration payment date.

The lease/leaseback transactions resulted in a net cash gain to the District of $11,820,731, which was deferred and is being amortized over the lives of the Subleases. At June 30, 2014, and 2013, the District had a balance of $8,605,138 and $9,024,901, respectively, as deferred gain on the lease/leaseback transactions. In each of the fiscal years ending June 30, 2014, and 2013, the District amortized $419,763 of such deferred gain.

The District's lease/leaseback transactions have been recorded similar to capital leases in that the present value of the future lease payments has been recognized on the Statement of Net Position as a Lease/Leaseback payable.

The original terms of the lease/leaseback transactions required the District to replace (1) AIG as debt payment undertaker if its ratings were to fall below "A3" from Moody's Investor Services ("Moody's") or "A-" from Standard & Poor's Rating Group ("S&P"), (2) AIG as equity payment undertaker if its ratings were to fall below "A2" from Moody's or "A" from S&P and (3) Ambac as surety provider if its ratings were to fall below "Aa3" from Moody's or "AA-" from S&P, in each case within a specified period of time following demand by the equity investor.

In July 2011, the lease/leaseback transactions were restructured to (1) eliminate any minimum rating requirements applicable to Ambac, (2) reduce the minimum rating requirement applicable to AIG as debt payment undertaker guarantor to "Baa3" from Moody's and "BBB-" from S&P, (3) replace AIG as equity payment undertaker and guarantor with U.S. Treasury Obligations that matured by such dates and in such amounts that correspond to the purchase option dates and amounts for the Equipment under each Sublease and (4) extend the time periods for any of the District's remaining replacement obligations to one year.

No payments under the debt payment undertaking agreements remain.

Under the terms of the July 2011 restructuring, the District was required to replace the U.S. Treasury Obligations if the rating fell below "Aaa" from Moody's or "AAA" from S&P. In August 2011, S&P downgraded the U.S. Treasury Obligation to "AA+". On October 16, 2013, the equity investor, District and Ambac agreed to amend the minimum rating requirements for the U.S. Treasury Obligations to "Aa2" from Moody's and "AA" from S&P (the "October Amendment").

As a result of the October Amendment, the District is in full compliance with the terms of the lease/leasback transactions.

As U.S. Treasury Obligations, held in trust, will mature to satisfy the purchase option for the Equipment under each Sublease, the District has recorded the amounts held by the trustee, US Bank, as Deposits for Lease/Leaseback Payables on the Statements of Net Position. The obligation under the lease agreements and the investments held to pay the lease/leaseback obligation are adjusted annually to reflect the change in the net present value of the related sublease and buy-out options. At June 30, 2014 and 2013, the balance of this deposit was $35,062,503 and $33,351,437, respectively.

6. 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
2015	$ -
2016	-
2017	-
2018	-
2019	-
2020-2024	-
2025-2029	-
2030-2034	14,252,635
2035-2036	83,679,455
Total future minimum payments	97,932,090
Less: imputed interest	(62,869,587)
Present value of minimum lease payments	$ 35,062,503

7. LONG-TERM DEBT

FAREBOX REVENUE BONDS (Revenue Bonds), SERIES 2012

In November 2012, the District issued Revenue Bonds totaling $86,865,000 with interest rates ranging from 3% to 5%. The Revenue Bonds were issued to (i) finance a portion of the costs of an extension to the District's light rail system and related improvements and acquisition of certain buses and other vehicles and other capital projects, and to (ii) refund all of the outstanding Farebox Revenue Certificates of Participation (COP), 2003 Series-C. The Revenue Bonds are a special obligation of the District and are secured solely by a pledge of farebox revenues through 2042.

The Series 2012 Bonds maturing on and after March 1, 2021, shall be subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds. The Bonds maturing on March 1, 2036, bearing an interest rate of either 4% or 5%, will also 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 also 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.

The total principal and interest remaining to be paid on the Revenue Bonds was $155,048,250 and $161,881,350 at June 30, 2014 and 2013, respectively. Interest paid was $4,123,100 and $1,225,477 for the fiscal years ending June 30, 2014 and 2013, respectively. Annual principal and interest payments on the Revenue Bonds are expected to require approximately 23% of total farebox revenues. Farebox revenues were $29,156,920 and $29,758,679 for the fiscal years ending June 30, 2014 and 2013, respectively.

As of June 30, 2014, debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,:	Principal	Interest	Total
2015	$ 2,795,000	$ 4,041,800	$ 6,836,800
2016	1,530,000	3,957,950	5,487,950
2017	1,595,000	3,896,750	5,491,750
2018	1,655,000	3,832,950	5,487,950
2019	1,740,000	3,750,200	5,490,200
2020-2024	10,095,000	17,355,750	27,450,750
2025-2029	12,880,000	14,567,500	27,447,500
2030-2034	16,360,000	11,087,100	27,447,100
2035-2039	20,555,000	6,883,750	27,438,750
2040-2042	14,950,000	1,519,500	16,469,500
Total	$ 84,155,000	$ 70,893,250	$ 155,048,250

As of June 30 2014 and 2013, the unamortized premium associated with the Revenue Bonds was $7,851,633 and $8,135,484, respectively. The amortization of the premium for fiscal years ended June 30 2014 and 2013, was $283,851 and $178,984.

7. LONG-TERM DEBT (Continued)

PRIOR YEAR DEFEASANCE

During the year ended June 30, 2013, the District utilized a portion of the 2012 Revenue Bond proceeds to perform a current refunding of the 2003 Series-C Certificates of Participation. Proceeds of the 2012 Revenue Bonds were deposited into an irrevocable trust to legally defease the COPs 30 days after issuance of the Revenue Bonds. This refunding resulted in a gain on extinguishment of debt of $154,904.

The net cash flow to continue normal payments on the 2003 COPs through 2015 was $4,680,016, at the time of refunding. The refunding debt service payments total $4,838,528, for a loss of $158,512.

However, an economic gain (difference between the present value of the old and new debt service payments) was generated by the current refunding of the 2003 COPs. The economic gain was determined via present value of savings from cash flow of ($139,827) plus the refunding cash on hand of $364,972, providing an economic gain of $225,145.

LOANS PAYABLE

Loans payable at June 30, 2014 include $13,988,074 received in November 2013 from the Public Transportation account (PTA) in the State Transportation Fund pursuant to Section 2 of Chapter 527, Statutes of 2013 (AB 1222). The loan was extended by the State to temporarily replace a Federal Transit Administration grant that lapsed due to the application of the Federal Transit Act's "13(c)" provision to the California Public Employee Pension Reform Act of 2013 (PEPRA). The federal funds remain appropriated and the issue is in litigation. The loan is due on or before 60 days after either a federal district court rules that the US Department of Labor erred in determining that application of PEPRA precludes certification under subsection (b) of Section 5533 of Title 49 of the United States Code or certification by the US Department of Labor that results in the receipt of the federal grant funds but, in any case, no later than January 1, 2019. 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, 2014, the principal balance of the PTA loan was $13,988,074 and accrued interest was $24,495.

Loans payable at June 30, 2013 include $7,000,000 from Sacramento County developer fees and $1,642,509 from Environmental Council of Sacramento (ECOS) lawsuit proceeds. The developer fees were collected pursuant to Sacramento County Ordinance No. 742 (August 31, 1988), as amended, which established transit impact fees for new development. The District was named as the trustee of the funds and is authorized to expend the funds for specified transit purposes. The developer fees were available to be loaned as they have been collected but not yet designated for specific projects. In 2009, $7,500,000 was committed to the District resulting from a settlement between the California Department of Transportation, ECOS and Neighbors Advocating Sustainable Transportation. The District is to use these funds for signal improvements on the Gold Line and to operate limited stop express trains and increase frequency to and from the Hazel light rail station. The ECOS lawsuit proceeds were available to be loaned as the funds will not be needed until the Gold Line is double-tracked to Folsom. The purpose of these loans was to complete the construction of the Green Line to the River District.

7. LONG-TERM DEBT (Continued)

The developer fees and ECOS loans were due in one installment on October 1, 2014, and accrued interest at 1.5% per annum, or the actual rate earned by the Local Agency Investment Fund (LAIF), whichever was greater.

During the fiscal year ended June 30, 2014, the principal and accrued interest balance of the developer fees and ECOS loans were paid back and balances held reclassified as advances from local governments.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
2012 Revenue Bonds	$ 86,865,000	$ -	$ (2,710,000)	$ 84,155,000	$ 2,795,000
Issuance Premium	8,135,484	-	(283,851)	7,851,633	283,851
Total 2012 Revenue Bonds	95,000,484	-	(2,993,851)	92,006,633	3,078,851
Compensated Absences	9,169,966	6,782,372	(6,515,608)	9,436,730	6,747,597
Loans Payable	8,642,509	13,988,074	(8,642,509)	13,988,074	-
Advances from Other Governments	35,978,103	10,281,101	(7,197,349)	39,061,855	21,339,382
Claims Payable	18,439,306	5,723,143	(5,338,608)	18,823,841	4,405,679
Lease/Leaseback Payable	33,351,437	1,711,066	-	35,062,503	-
Long-Term Liabilities	$ 200,581,805	$ 38,485,756	$ (30,687,925)	$ 208,379,636	$ 35,571,509

Long-term liability activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
2012 Revenue Bonds	$ -	$ 86,865,000		$ 86,865,000	$ 2,710,000
Issuance Premium	-	8,314,468	$ (178,984)	8,135,484	283,851
Totoal 2012 Revenue Bonds	-	95,179,468	(178,984)	95,000,484	2,993,851
Certificates of Participation	5,740,000	-	(5,740,000)	-	-
Issuance Premium	202,622	-	(202,622)	-	-
Total COP	5,942,622	-	(5,942,622)	-	-
Compensated Absences	8,928,030	6,522,369	(6,280,433)	9,169,966	6,421,484
Loans Payable	8,230,039	412,470	-	8,642,509	8,642,509
Advances from Other Governments	25,660,754	18,315,584	(7,998,235)	35,978,103	14,201,310
Claims Payable	18,292,958	5,327,966	(5,181,618)	18,439,306	6,787,036
Lease/Leaseback Payable	35,482,912	1,725,797	(3,857,272)	33,351,437	-
Long-Term Liabilities	$ 102,537,315	$ 127,483,654	$ (29,439,164)	$ 200,581,805	$ 39,046,190

8. FUNDING SOURCES

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

FEDERAL GRANTS

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

	2014	2013
Operating assistance grants:		
FTA Section 5307	$ 19,755,604	$ 20,398,959
FTA Section 5337	9,764,225	8,872,128
FTA Section 5309	2,744,338	758,480
Dept of Homeland Security	209,460	232,613
FTA Section 5316	114,212	613,188
FTA Section 5304	32,236	84,855
FTA Section 5305	-	46,533
Total Federal operating assistance grants	32,620,075	31,006,756
Capital grants:		
FTA Section 5309	44,146,247	6,017,750
FTA ARRA	3,034,209	2,814,815
STP and CMAQ	663,603	164,891
FTA Section 5307	664,499	288,251
FTA Section 5317	3,163	45,460
Total Federal capital grants	48,511,721	9,331,167
Total Federal operating and capital grants	$ 81,131,796	$ 40,337,923

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 three years following the close of the fiscal year for which they were apportioned. Any unobligated funds at the end of such period revert to the federal government. In general, funds received for operations must, at a minimum, be matched 50% with local contributions and funds for capital projects must be matched 20% with local contributions.

8. FUNDING SOURCES (Continued)

STATE AND LOCAL GRANTS

The District qualified for and received distributions from Local Transportation Funds and State Transit Assistance under claims approved by the Sacramento Area Council of Governments (SACOG) in accordance with provisions of the Transportation Development Act (TDA).

State and local grant funding for the fiscal years ended June 30, is comprised of the following:

	2014	2013
Operating assistance grants:		
Measure A Sales Tax Revenue	$ 33,922,401	$ 32,368,073
Local Transportation Funds	34,608,256	30,043,310
State Transit Assistance	6,765,152	8,864,058
Total state and local operating assistance grants	75,295,809	71,275,441
Capital grants:		
Measure A Sales Tax Revenue	140,974	3,948,821
State Transit Assistance	3,021,887	888,914
Public Transportation Account	814,424	4,668,046
Traffic Congestion Relief Program	42,330	1,120,248
Proposition IB	14,423,944	22,789,299
Proposition 1A	57,946	-
City of Sacramento	-	104,962
County of Sacramento	11,510	568,330
Department of Transportation	39,416	54,405
Developer Fees	271,328	1,297,289
Sacramento Housing and Redevelopment	-	537
California Energy Commission	-	394,294
Other	75,664	1,350
Total state and local capital grants	18,899,423	35,836,495
Total state and local grants	$ 94,195,232	$ 107,111,936

ADVANCES FROM OTHER GOVERNMENTS

Advances at June 30, consisted of the following:

	2014	2013
Proposition IB	$ 26,914,210	$ 32,716,928
Developer Fees	10,446,714	3,062,608
ECOS	1,673,370	-
Other	27,561	198,567
Total advances from other governments	$ 39,061,855	$ 35,978,103

The advances from other governments are utilized principally for capital funding.

9. FARE REVENUE RATIO

The District is required to maintain a fare revenue-to-operating expense ratio of 25.50% in accordance with the Transportation Development Act. To demonstrate compliance with this Fare Revenue Ratio, the District has supplemented, per California Public Utilities Code Section 99268.19, a portion of its Local Measure A funds in order to meet the required ratio. The fare revenue-to-operating expense ratio for the District is calculated as follows for the fiscal years ended June 30:

	2014	2013
Fare Revenues	$ 29,156,920	$ 29,758,679
Local Fund Supplementation (Measure A)	8,441,154	5,369,860
Total Revenues	$ 37,598,074	$ 35,128,539
Operating Expenses	$ 181,425,509	$ 169,139,058
Less Allowable Exclusions:		
Depreciation and Amortization	(33,982,082)	(31,380,082)
Net Operating Expenses	$ 147,443,427	$ 137,758,976
Fare Revenue Ratio	25.50%	25.50%

10. PENSION PLANS

DESCRIPTION OF PLANS

The District contributes to three single-employer defined benefit pension plans: The Sacramento Regional Transit District Retirement Plan for members of ATU, Local 256 (the ATU Plan), the Sacramento Regional Transit District Retirement Plan for members of IBEW Local 1245 (the IBEW Plan), and the Sacramento Regional Transit District Retirement Plan for Salaried Employees who are members of the Administrative Employees' Association (AEA), Management and Confidential Employees Group (MCEG), and the American Federation of State, County and Municipal Employees (AFSCME) (Salaried Plan). The ATU Plan and the IBEW Plan are accounted for by the District as one Plan (collectively, the "ATU/IBEW Plan").

The plans are administered by the District under the direction of five separate Retirement Boards of Directors, each representing one of the aforementioned bargaining and employee groups of ATU, IBEW, AEA, AFSCME and MCEG. Each Retirement Board is comprised of equal representation; District Management by a member from the District's Board of Directors and General Manager, and two members from the represented group. Each Board member serves a four year term, with no limit on the amount of terms that can be served. All expenses incurred in the administration of the plans are paid by the plans, with the exception of the yearly financial statement audit fees.

Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. The District's Board of Directors and the collective bargaining groups jointly establish and amend benefit provisions for the ATU/IBEW and Salaried Plans. The ATU/IBEW Plan and the Salaried Plan issues a publicly available combined financial report that includes financial statements and required supplementary information. The ATU/IBEW and Salaried Pension Plans implemented GASB 67, Financial Reporting for Pension Plans, for the fiscal year ended June 30, 2014. Refer to the separately issued financial statements for all required disclosures including the required supplementary information Schedules of Changes in the Net Pension Liability and Related Ratios and the Schedules of District Contributions. The report may be obtained by writing to Sacramento Regional Transit District, Attention: Chief Financial Officer, P.O. Box 2110, Sacramento, CA 95812.

For the ATU/IBEW Plan, the ATU members will fully vest after ten years of service and the IBEW members will fully vest after five years of service. For the Salaried Plan, members represented by the AEA and MCEG fully vest after five years of service. The members of AFSCME fully vest after nine years of service.

The Public Employees' Pension Reform Act (PEPRA) of 2013 created new pension rules for employees hired after January 1, 2013. 'PEPRA employees' were hired under both the ATU/IBEW Plan and the Salaried Plan. The benefits under PEPRA were reduced in an effort to reduce the pension liability of local agencies in the state of California.

10. PENSION PLANS (Continued)

FUNDING POLICY

The District's contribution rates for retirement benefits are determined using the entry age normal cost method. During the fiscal year ended June 30, 2014, the District made 100% of the actuarially determined contributions to the ATU/IBEW and Salaried Plans of $9,711,107 and $6,609,083, respectively, for both PEPRA and non-PEPRA employees. For the fiscal year ended June 30, 2013, the District made 100% of the actuarially determined contributions to the ATU/IBEW and Salaried Plans of $8,693,568 and $5,799,546, respectively.

Non-PEPRA Employees

For the fiscal year ended June 30, 2014 and 2013, the actuarially determined rate for the ATU/IBEW Plan was 26.27% and 24.27%, respectively, of covered payroll. For the fiscal year ended June 30, 2014 and 2013, the actuarially determined rate for the Salaried Plan was 29.95% and 27.71%, respectively, of covered payroll. No contributions are required by the ATU/IBEW and Salaried Plans' members pursuant to each respective bargaining agreement for employees hired before January 1, 2013; however, ATU/IBEW Plan members can buy-back service.

PEPRA Employees

As of January 1, 2013, all new employees were required to contribute 50% of the normal cost of the pension benefit. The employee contributions for the fiscal year ending June 30, 2014 were 5.75% or $22,425 and 4.75% or $1,678, for the ATU/IBEW Plan and the Salaried Plan, respectively. The employee contributions for the fiscal year ending June 30, 2013 were 5.75% or $13,346 and 4.75% or $1,070, for the ATU/IBEW Plan and the Salaried Plan, respectively. The employer portion of the actuarially determined rate for the ATU/IBEW Plan and Salaried Plan was 18.18% and 21.61%, respectively, of covered payroll for the fiscal year ended June 30, 2014. The employer portion of the actuarially determined rate for the ATU/IBEW Plan and Salaried Plan was 17.29% and 21.52%, respectively, of covered payroll for the fiscal year ended June 30, 2013. Assembly Bill 1222 provided a temporary exemption to the PEPRA rules and all employee contributions were refunded in November 2013. Subsequently, on September 28, 2014 Assembly Bill 1783 was signed by Governor Brown which extends the Districts PEPRA exemption to January 1, 2016.

11. POST-EMPLOYMENT BENEFITS

DESCRIPTION OF THE PLANS

The District provides health care benefits under the provisions of the Personnel Rules and Procedures for active and retired members of AEA, AFSCME, MCEG, ATU, and IBEW. The District also provides life insurance benefits to active and retired members of the AEA, AFSCME, and MCEG. Beginning on May 1, 2011, the active and retired members of the ATU were provided certain health care benefits. Beginning July 1, 2011, the active and retired members of the IBEW began receiving certain health care benefits. The benefits are mandated by contracted agreements between the District and the respective employee groups and may be amended at any time. These members and their dependents may become eligible for such benefits if the employees reach normal retirement age while working for the District. These benefits and similar benefits for active employees are provided through an insurance company whose premiums are based on the benefits paid during the year.

The District established an irrevocable trust under the California Employer’s Retiree Benefit Trust Program (CERBT) to prefund subsidized medical, dental and life insurance for the AEA, AFSCME, and MCEG as well as life insurance and subsidized medical benefits for the ATU and IBEW active and retired members. The funds in the CERBT are held in trust and will be administered by the California Public Employees’ Retirement System (CalPERS) as an agent multiple-employer plan. Benefit provisions are established and may be amended by District labor agreements which are approved by the Board of Directors. The District’s Other Post-Employment Benefits (OPEB) financial statements 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.

FUNDING POLICY

The District received Board approval on July 25, 2011, to create sub-accounts within the AEA, AFSCME, and MCEG’s irrevocable trust to prefund the ATU and IBEW’s required contribution for their respective health benefits. The obligation of the District to contribute to the plans is established by the Board of Directors. The District currently funds the OPEB at 100% of the ARC for all plans.

The District contributes for retired members of AEA, AFSCME, and MCEG 90% or 92% of the cost for plan members hired after 1993, and 100% for plan members hired prior to 1994. The District is required to contribute the unequal minimum required contribution set under the Public Employees’ Medical & Hospital Care Act (PEMHCA) for retired members of the ATU and IBEW. A total of six hundred and nineteen (619) and six hundred and two (602) employees and/or their beneficiaries were eligible to receive such benefits at June 30, 2014, and 2013, respectively.

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The CERBT fund, which is an IRC Section 115 Trust, is set up for the purpose of (i) receiving employer contributions to prefund health and other post-employment benefits for retirees and their beneficiaries, (ii) invest contributed amounts and income therein, and (iii) disburse contributed amounts and income therein, if any, to pay for costs of administration of the fund and to pay for health care costs or other post-employment benefits in accordance with the terms of the District’s OPEB plan.

11. POST-EMPLOYMENT BENEFITS (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION FOR THE HEALTH BENEFITS FOR THE AEA, AFSCME, AND MCEG

The ARC for the fiscal year ended June 30, 2014, was determined as part of the July 1, 2013, actuarial valuation. The ARC amount was $2,657,386. For the fiscal years ended June 30, 2014 and 2013, the District's annual OPEB cost (expense) was $2,657,386 and $2,339,439, respectively. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

	2014	2013
Annual Required Contribution	$ 2,657,386	$ 2,339,439
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost (Expense)	2,657,386	2,339,439
Contributions Made	(2,657,386)	(2,339,439)
Increase (Decrease) in Net OPEB Obligation	$ -	$ -

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2014, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	$ 2,257,740	100.0%	-
6/30/2013	$ 2,339,439	100.0%	-
6/30/2014	$ 2,657,386	100.0%	-

FUNDING STATUS AND FUNDING PROGRESS

The funded status of the plan as of July 1, 2013, was as follows:

Actuarial Accrued Liability (AAL)	$ 35,136,753
Actuarial Value of Plan Assets	8,955,829
Unfunded Actuarial Accrued Liability (UAAL)	$ 26,180,924
Funded Ratio (Actuarial Value of Plan Assets/AAL)	25.49%
Covered Payroll (Active Plan Members)	$ 20,536,194
UAAL as a Percentage of Covered Payroll	127.49%

11. POST-EMPLOYMENT BENEFITS (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION FOR THE ATU HEALTH BENEFITS

The ARC for the fiscal year ended June 30, 2014, was determined as part of the July 1, 2013 actuarial valuation. As of June 30, 2014 and 2013 the ARC was $565,105 and $781,898, respectively. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

	2014	2013
Annual Required Contribution	$ 565,105	$ 781,898
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost (Expense)	565,105	781,898
Contributions Made	(565,105)	(781,898)
Increase (Decrease) in Net OPEB Obligation	$ -	$ -

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2014, and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2012	$ 750,236	100.0%	$ -
06/30/2013	$ 781,898	100.0%	$ -
06/30/2014	$ 565,105	100.0%	$ -

FUNDING STATUS AND FUNDING PROGRESS

The funded status of the plan as of July 1, 2013, was as follows:

Actuarial Accrued Liability (AAL)	$ 6,014,079
Actuarial Value of Plan Assets	1,598,780
Unfunded Actuarial Accrued Liability (UAAL)	$ 4,415,299
Funded Ratio (Actuarial Value of Plan Assets/AAL)	26.58%
Covered Payroll (Active Plan Members)	$ 22,883,006
UAAL as a Percentage of Covered Payroll	19.30%

11. POST-EMPLOYMENT BENEFITS (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION FOR THE IBEW HEALTH BENEFITS

The ARC for the fiscal year ended June 30, 2014, was determined as part of the July 1, 2013, actuarial valuation. As of June 30, 2014, and 2013, the ARC was $187,487 and $266,538, respectively. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

	2014	2013
Annual Required Contribution	$ 187,487	$ 266,538
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost (Expense)	187,487	266,538
Contributions Made	(187,487)	(266,538)
Increase (Decrease) in Net OPEB Obligation	$ -	$ -

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2014, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2012	$ 252,353	100.0%	$ -
06/30/2013	$ 266,538	100.0%	$ -
06/30/2014	$ 187,487	100.0%	$ -

FUNDING STATUS AND FUNDING PROGRESS

The funded status of the plan as of July 1, 2013, was as follows:

Actuarial Accrued Liability (AAL)	$ 1,644,154
Actuarial Value of Plan Assets	544,247
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,099,907
Funded Ratio (Actuarial Value of Plan Assets/AAL)	33.10%
Covered Payroll (Active Plan Members)	$ 9,775,896
UAAL as a Percentage of Covered Payroll	11.25%

11. POST-EMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress immediately following the notes to the financial statements presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the July 1, 2013, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.61% investment rate of return and an annual healthcare cost trend rate of 9.0% for fiscal year 2014, reduced by decrements of 0.5% a year to an ultimate rate of 4.64% at 2025 and thereafter. The actuarial valuation also includes a 3.25% salary increase annually and an inflation increase of 3.25% annually.

The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method the plan's normal cost is developed as a level amount over the participants' working lifetime. The AAL is the cumulative value, on the valuation date, of prior service costs. For retirees, the AAL is the present value of all projected benefits.

Effective with the July 1, 2011, valuation the District transitioned to a closed amortization period. The amortization payment for the fiscal year ended June 30, 2014, was developed using a 28 year period with payments determined as a level percent of payroll. The amortization period will decline by one year each fiscal year hereafter. The ARC under this method equals the normal cost plus the amortization of unfunded AAL over a thirty (30) year closed period and is being amortized as a level percentage of increasing payroll. The Plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years in the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

12. SELF-INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Coverage provided by self-insured and excess coverage is generally as follows as of June 30, 2014:

Type of Coverage	Self-insurance (per occurrence)	Excess Coverage (per occurrence)
Workers' Compensation	Up to $2,000,000	$2,000,000 to $25,000,000
Commercial General Liability		
Bus	Up to $5,000,000	$5,000,000 to $200,000,000
Light Rail	Up to $5,000,000	$5,000,000 to $200,000,000
*Property:		
Perils	Up to $100,000	$100,000 to $250,000,000
Collision	Up to $500,000	$500,000 to $250,000,000
Flood	Up to $250,000	$250,000 to $10,000,000

* includes revenue and non-revenue vehicles

The District purchases commercial insurance for claims in excess of self-insured amounts and for all other risks of loss to a stated maximum amount. The District is self-insured for amounts in excess of these maximum amounts. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The claims liability of $18,823,841 and $18,439,306 reported at June 30, 2014 and 2013, respectively, 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, 2014, and 2013, the Public Liability and Property Damage (PLPD) liability is discounted using a discount factor of 2.0%. PLPD is discounted due to the amount the District holds in a reserve fund of $3,097,888 and $4,392,295 at June 30, 2014, and 2013, respectively. Workers' Compensation liability is not discounted.

These claim estimates are actuarially determined and based on the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the District's claims liability amount during the fiscal years ended June 30, 2014, and 2013 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, 2014	$ 18,439,306	$ 5,723,143	$ (5,338,608)	$ 18,823,841
June 30, 2013	18,292,958	5,327,966	(5,181,618)	18,439,306

13. CONTINGENT LIABILITIES AND COMMITMENTS

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

The District receives funding for specific purposes that is subject to review and audit by the granting agencies or funding source. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

The District has construction contracts and property acquisition commitments of approximately $112,000,525 and $47,330,715 at June 30, 2014, and 2013, respectively. Federal, state, and local grant funds have been approved for such construction.

13. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

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 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 activity for the fiscal years ended June 30, 2014, and 2013 are as follows:

	2014	2013
Balance July 1	**$ -**	**$ -**
Receipts	11,597,606	20,285,652
Expenses:		
LRT Crossing Enhancements	(6,499)	(2,986)
UTDC Retrofit	(616,432)	-
Bus Maintenance Facility	(33,365)	(1,609,478)
ADA Transit Plan Improvements	(615)	(11,419)
Replace Neighborhood Ride Vehicles (hybrids)	(1,327)	(13,430)
South Line Phase 2 Extension	(6,936,607)	(17,672,370)
Siemens Mid-Life Overhaul	(13,492)	(11,538)
Siemens E&H Ramp Replacement	(552)	(3,930)
North Natomas 5 Buses	-	(105)
Bucket/Platform Truck	(22,769)	(67,488)
Retrofit LRV Hoist	-	(2,727)
Connect Card	(1,577,522)	(890,181)
29th Street Station Enhancements	(147)	-
Replace Non-Revenue Vehicles	(2,065,904)	-
Downtown/Riverfront Streetcar	(322,375)	-
Balance June 30	**$ -**	**$ -**

Required Supplementary Information (Other than MD&A)

SACRAMENTO REGIONAL TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS
AS OF JUNE 30, 2014

Sacramento Regional Transit District
Other Post-Employment Benefits (OPEB) Trust
For Active and Retired Members of MCEG, AEA, AFSCME

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2010	$ 4,417,079	$ 28,992,683	$ 24,575,604	15.24%	$ 17,262,633	142.4%
7/1/2011	7,581,083	33,126,230	25,545,147	22.89%	20,936,260	122.0%
7/1/2013	8,955,829	35,136,753	26,180,924	25.49%	20,536,194	127.5%

Sacramento Regional Transit District
Other Post-Employment Benefits (OPEB) Trust
For Active and Retired Members of ATU

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
07/01/2009	$ -	$ 4,448,122	$ 4,448,122	0.00%	$ 37,904,888	11.7%
07/01/2011	384,527	7,591,486	7,206,959	5.07%	25,550,318	28.2%
07/01/2013	1,598,780	6,014,079	4,415,299	26.58%	22,883,006	19.3%

Sacramento Regional Transit District
Other Post-Employment Benefits (OPEB) Trust
For Active and Retired Members of IBEW

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2011	$ 118,014	$ 2,125,047	$ 2,007,033	5.55%	$ 10,329,269	19.4%
7/1/2013	544,247	1,644,154	1,099,907	33.10%	9,775,896	11.3%

The District is currently funding the OPEB plans at 100% of the ARC. No contributions are required by plan members.

Combining Statements - Fiduciary Funds

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2014

	ATU/IBEW	Salaried	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 9,766,996	$ 3,926,522	$ 13,693,518
Interest, Dividend and Other Receivables	1,739,336	772,481	2,511,817
Total Current Assets	11,506,332	4,699,003	16,205,335
Long-Term Investments:			
Equity Securities	102,436,610	43,662,164	146,098,774
Fixed Income Securities	67,330,781	26,610,171	93,940,952
Total Long-Term Investments	169,767,391	70,272,335	240,039,726
Total Assets	181,273,723	74,971,338	256,245,061
LIABILITIES			
Liabilities:			
Securities Purchased Payable	10,226,692	4,041,748	14,268,440
Accounts Payable	549,358	104,642	654,000
Total Liabilities	10,776,050	4,146,390	14,922,440
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 170,497,673	$ 70,824,948	$ 241,322,621

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2013

	ATU/IBEW	Salaried	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 6,709,653	$ 2,630,742	$ 9,340,395
Interest, Dividend and Other Receivables	11,906,364	4,633,880	16,540,244
Total Current Assets	18,616,017	7,264,622	25,880,639
Long-Term Investments:			
Equity Securities	94,534,988	38,380,248	132,915,236
Fixed Income Securities	59,156,304	22,909,172	82,065,476
Total Long-Term Investments	153,691,292	61,289,420	214,980,712
Total Assets	172,307,309	68,554,042	240,861,351
LIABILITIES			
Liabilities:			
Securities Purchased Payable	20,292,862	7,865,939	28,158,801
Accounts Payable	600,417	104,959	705,376
Total Liabilities	20,893,279	7,970,898	28,864,177
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 151,414,030	$ 60,583,144	$ 211,997,174

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	ATU/IBEW	Salaried	Total
ADDITIONS			
Contributions:			
Employer	$ 9,711,107	$ 6,609,083	$ 16,320,190
Member	22,425	1,678	24,103
Total Contributions	9,733,532	6,610,761	16,344,293
Investment Income:			
Net Increase in Fair Value of Investments	20,970,171	8,631,373	29,601,544
Interest, Dividends, and Other Income	2,394,445	964,719	3,359,164
Investment Expenses	(732,797)	(298,448)	(1,031,245)
Net Investment Gain	22,631,819	9,297,644	31,929,463
Total Additions	32,365,351	15,908,405	48,273,756
DEDUCTIONS			
Benefits Paid to Participants	12,877,177	5,664,400	18,541,577
Administrative Expenses	230,365	176,367	406,732
Total Deductions	13,107,542	5,840,767	18,948,309
Transfers in/(out) of plans	(174,166)	174,166	-
Increase in Net Position	19,083,643	10,241,804	29,325,447
Net Position Held in Trust for Pension Benefits - July 1	151,414,030	60,583,144	211,997,174
Net Position Held in Trust for Pension Benefits - June 30	$ 170,497,673	$ 70,824,948	$ 241,322,621

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	ATU/IBEW	Salaried	Total
ADDITIONS			
Contributions:			
Employer	$ 8,693,568	$ 5,799,546	$ 14,493,114
Member	13,346	1,070	14,416
Total Contributions	8,706,914	5,800,616	14,507,530
Investment Income:			
Net Increase in Fair Value of Investments	16,957,815	6,730,455	23,688,270
Interest, Dividends, and Other Income	2,454,274	955,251	3,409,525
Investment Expenses	(699,252)	(279,264)	(978,516)
Net Investment Gain	18,712,837	7,406,442	26,119,279
Total Additions	27,419,751	13,207,058	40,626,809
DEDUCTIONS			
Benefits Paid to Participants	12,070,149	5,447,437	17,517,586
Administrative Expenses	136,996	144,743	281,739
Total Deductions	12,207,145	5,592,180	17,799,325
Increase in Net Position	15,212,606	7,614,878	22,827,484
Net Position Held in Trust for Pension Benefits - July 1	136,201,424	52,968,266	189,169,690
Net Position Held in Trust for Pension Benefits - June 30	$ 151,414,030	$ 60,583,144	$ 211,997,174

Statistical Section
(Unaudited)

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

CONTENTS **Page**

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year. The District implemented GASB Statements No. 63 and 65 in the fiscal year ended June 30, 2013. Schedules comparative results are retroactively presented.*

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

Fiscal Year

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net Position										
Net Investment in Capital Assets	$ 717,156	$ 726,109	$ 743,350	$ 752,243	$ 771,045	$ 770,304	$ 778,152	$ 787,711	$ 799,650	$ 816,388
Restricted for:										
Capital Projects	2,682	2,103	1,928	1,699	2,580	1,841	1,840	4,474	2,845	1,211
Debt Service	-	-	-	-	-	-	-	-	2,278	2,279
Unrestricted	10,461	1,807	9,882	2,695	1,446	(2,093)	(4,287)	(526)	1,689	13,353
Total Net Position	$ 730,299	$ 730,020	$ 755,160	$ 756,637	$ 775,071	$ 770,052	$ 775,705	$ 791,658	$ 806,463	$ 833,232

Source: Comprehensive Annual Financial Report

SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues										
Fares	$ 21,101	$ 25,072	$ 27,101	$ 29,866	$ 32,571	$ 30,864	$ 28,967	$ 28,964	$ 29,759	$ 29,157
Operating Expenses										
Labor and Fringe Benefits	79,366	85,368	85,887	93,780	91,580	91,203	79,366	82,209	88,064	94,755
Professional and Other Services	21,418	23,555	23,613	26,505	26,584	24,797	20,720	21,417	24,996	26,130
Spare Parts and Supplies	14,468	18,445	14,941	12,188	12,950	11,044	8,524	9,785	10,517	11,996
Utilities	4,389	5,579	4,944	5,550	5,545	5,531	5,741	5,587	5,639	5,646
Casualty and Liability Costs	7,176	7,788	9,774	11,159	7,104	2,286	6,540	6,353	7,910	8,343
Depreciation and Amortization	28,121	28,840	28,434	28,445	30,699	30,870	31,238	31,392	31,380	33,982
Indirect Costs Allocated to Capital Programs	-	-	-	-	(2,172)	(863)	(881)	(824)	(763)	(887)
Other	2,092	1,890	1,971	1,896	1,680	1,402	1,547	1,492	1,396	1,460
Total Operating Expenses	157,030	171,465	169,564	179,524	173,970	166,270	152,795	157,411	169,139	181,426
Operating Loss	(135,929)	(146,393)	(142,462)	(149,658)	(141,399)	(135,407)	(123,828)	(128,447)	(139,380)	(152,269)
Non-Operating Revenues (Expenses)										
Operating Assistance:										
State and Local	70,453	78,680	92,839	84,558	70,725	58,135	58,109	69,132	71,275	75,296
Federal	24,400	19,413	21,011	22,804	30,788	34,552	27,374	28,670	31,007	32,620
Investment Income	842	3,882	7,908	8,145	8,911	6,439	4,113	2,456	1,755	1,941
Interest Expense	(634)	(3,805)	(7,900)	(7,951)	(9,154)	(6,792)	(4,401)	(2,722)	(2,522)	(3,223)
Pass Through to Subrecipients	(528)	(2,570)	(1,791)	(1,378)	(478)	(3,638)	(4,043)	(4,216)	(1,672)	(3,401)
Contract Services	4,970	4,993	5,295	4,732	4,311	4,599	4,362	5,245	5,607	5,530
Other	1,508	1,198	891	4,336	3,304	2,758	3,946	2,485	3,414	2,863
Total Non-Operating Revenues	101,012	101,790	118,253	115,246	108,407	96,052	89,461	101,049	108,862	111,626
Loss Before Capital Contributions	(34,916)	(44,603)	(24,209)	(34,412)	(32,992)	(39,355)	(34,367)	(27,398)	(30,518)	(40,642)
Capital Contributions										
State and Local	14,779	22,287	21,267	29,606	42,441	29,381	36,482	33,474	35,836	18,899
Federal	54,334	21,321	28,082	4,575	8,985	4,955	3,538	10,016	9,331	48,512
Position before Special Item	34,196	(995)	25,141	(230)	18,433	(5,019)	5,653	16,092	14,650	26,769
Extraordinary (Loss) Gain on Early Extinguishment of Debt	-	-	-	-	-	-	-	-	155	-
Special Items	-	715	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Position after Special Item	$ 34,196	$ (280)	$ 25,141	$ (230)	$ 18,433	$ (5,019)	$ 5,653	$ 16,092	$ 14,805	$ 26,769

Source: Comprehensive Annual Financial Report

Operating Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Farebox	Fare Prepayment/ Outlet Sales	Special/ Contracted	Other	Total
2005	$ 7,161,638	$ 11,686,809	$ 2,246,603	$ 6,077	$ 21,101,127
2006	7,677,324	16,325,280	1,054,862	14,325	25,071,791
2007	8,179,034	18,182,009	718,701	21,517	27,101,261
2008	8,549,841	19,672,827	1,622,660	20,482	29,865,810
2009	8,801,118	22,156,898	1,592,215	21,228	32,571,459
2010	8,219,357	20,876,281	1,747,750	20,313	30,863,701
2011	7,572,658	19,550,718	1,823,577	20,275	28,967,228
2012	7,846,435	19,385,804	1,713,635	18,274	28,964,148
2013	7,971,366	19,311,009	2,462,865	13,439	29,758,679
2014	8,069,001	19,305,312	1,771,265	11,342	29,156,920

Total Revenue Source: Comprehensive Annual Financial Report

Principal Fare Revenue Payers
Current Year and Nine Years Ago

Customers	Fiscal Year 2014 Sales Amount	Fiscal Year 2014 Sales %	Fiscal Year 2005 Sales Amount	Fiscal Year 2005 Sales %
Department of Human Assistance	$ 1,927,255	6.61%	$ 1,193,025	4.58%
Raley's Family of Fine Stores	1,133,745	3.89%	-	0.00%
Los Rios Community College District	1,028,074	3.53%	527,083	
Health & Human Services	953,470	3.27%	474,043	1.82%
Department of Transportation	903,615	3.10%	531,215	2.04%
Employment Development Department	880,135	3.02%	519,715	1.99%
California Environmental Protection Agency	790,648	2.71%	335,605	1.29%
Alta California Regional Center	787,600	2.70%	513,998	1.97%
Franchise Tax Board	730,043	2.50%	-	0.00%
California State University Sacramento	688,327	2.36%	519,067	1.99%
Water Resources Department	-	0.00%	524,127	2.01%
Board of Equalization	-	0.00%	280,430	1.08%
Subtotal (10 Largest)	9,822,912	33.69%	5,418,308	18.76%
Balance from other customers	19,334,008	66.31%	20,652,660	79.22%
Grand Total	$ 29,156,920	100.00%	$ 26,070,968	100.00%

Total Revenue 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	Line of Credit	Notes Payable	Total Debt	Region Percentage of Personal Income	Six-County Region Per Capita
2005	$ -	$ -	$ 17,364,508	$ -	$ -	$ 17,364,508	0.02%	7.93%
2006	-	112,931,466	15,888,525	8,000,000	-	136,819,991	0.03%	61.68
2007	-	119,960,064	14,387,541	-	-	134,347,605	0.02%	59.82
2008	-	190,508,944	12,841,557	10,500,000	-	213,850,501	0.03%	94.04
2009	-	146,527,940	11,235,574	20,000,000	-	177,763,514	0.04%	77.33
2010	-	100,681,155	9,554,590	11,100,000	-	121,335,745	0.02%	52.26
2011	-	57,411,268	7,788,606	7,600,000	-	72,799,874	0.02%	31.27
2012	-	35,482,912	5,942,622	10,000,000	8,230,039	59,655,573	0.02%	25.48
2013	95,000,484	33,351,437	-	21,800,000	8,642,509	158,794,430	Not available	67.26
2014	92,006,633	35,062,503	-	13,300,000	13,988,074	154,357,210	Not available	64.89

Source: Comprehensive Annual Financial Report

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Fare Revenue	Non-Fare Revenues	Total Revenue	Less Operating Expense	Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
2005	$ 21,101,127	$ 101,993,546	$ 123,094,673	$ 122,314,384	$ 780,289	$ 1,370,000	$ 700,524	0.38
2006	25,071,791	104,658,444	129,730,235	133,217,834	(3,487,599)	9,400,000	699,146	(0.35)
2007	27,101,261	118,470,621	145,571,882	134,356,800	11,215,082	1,425,000	640,008	5.43
2008	29,865,810	115,572,834	145,438,644	149,029,101	(3,590,457)	1,470,000	611,508	(1.72)
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	112,277,743	141,434,663	144,777,141	(3,342,478)	2,710,000	4,123,100	(0.49)

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

Debt-service is funded via the District’s capital program.

Demographic and Economic Indicators
Last Ten Fiscal Years

	Population[1,2]		Personal Income [1,2] (In Thousands)		Per Capital Personal [1] Income		Unemployment Rate[3]	
	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region	Sacramento County	Six-County Region
2005	1,360,816	2,189,899	$ 48,922,482	$ 81,322,068	$ 35,951	$ 37,135	5.0%	5.2%
2006	1,369,563	2,218,269	51,575,249	86,609,743	37,658	39,044	4.8%	4.9%
2007	1,381,161	2,245,937	53,769,563	90,614,835	38,931	40,346	5.4%	5.6%
2008	1,394,438	2,273,938	55,206,829	93,631,297	39,591	41,176	7.2%	7.3%
2009	1,408,601	2,298,630	54,437,987	92,017,565	38,647	40,031	11.3%	11.5%
2010	1,422,316	2,322,021	55,176,682	93,817,955	38,794	40,404	12.7%	12.9%
2011	1,436,262	2,343,950	57,996,392	99,398,826	40,380	42,407	12.1%	12.3%
2012	1,450,121	2,364,430	60,668,975	103,892,481	41,837	43,940	10.5%	10.8%
2013	1,442,752	2,359,084	Not available	Not available	Not available	Not available	8.8%	9.0%
2014	1,454,406	2,378,721	Not available	Not available	Not available	Not available	7.6%	8.0%

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

1. 2005-2012 U.S. Department of Commerce, Bureau of Economic Analysis, *CA1-3 Personal income population, per capital personal income.*
2. 2013-2014 State of California, Department of Finance, E-1 City, County and State Population Estimates, 2013–2014.
3. State of California, Employment Development Department, Labor Force & Employment Data

Principal Employers
Current Year and Nine Years Ago

	Fiscal Year 2014			Fiscal Year 2005		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of California	77,220	1	12.33%			
Sacramento County	10,700	2	1.71%			
U.S. Government	9,906	3	1.58%			
UC Davis Health System	9,905	4	1.58%	8,000	4	1.28%
Sutter Health Sacramento Sierra Region	7,352	5	1.17%	3,300	10	0.53%
Dignity Health	6,212	6	0.99%	11,729	1	1.88%
Intel Corporation	6,000	7	0.96%	6,500	5	1.04%
Kaiser Permanente	5,421	8	0.87%	11,284	2	1.81%
Elk Grove Unified School District	5,410	9	0.86%			
Sacramento City Unified School District	4,200	10	0.67%			
Raley's Inc./Bel Air				8,203	3	1.31%
SBC Communications				5,753	6	0.92%
Target Corporation				5,229	7	0.84%
Hewlett-Packard				4,500	8	0.72%
Wal-Mart				3,693	9	0.59%
Total	142,326		22.72%	68,191		10.92%

Sources: Fiscal Year 2014, Sacramento Business Journal
Fiscal Year 2005, Sacramento Area Commerce and Trade Organization

CONTINUING DISCLOSURE REQUIREMENTS

SEC Rule 15c2-12

The following summary provides the District's specific and continuing Securities and Exchange Commission (SEC) disclosure requirements (Rule 15c2-12) in connection with the 2012 Series Revenue Bonds. All Disclosure requirements can be found in the District's Comprehensive Annual Financial Report (CAFR) and the District's Adopted Budget.

		FY 2014 CAFR Page No.	FY 2014 Adopted Budget
1	Management Discussion and Analysis, Audited Financial Statements and Statistical Information	4-82	
2	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)	76,77,78,79	
	Historical Operating Results	15,64,65	
	Farebox Recovery Ratios (ii)	47,76	
	Historical Nonoperating Revenues – 10 year funds (iii)	78,75	
	Measure A Sales Tax Funding Trends (iv)	46,75	
	LTF Revenues claimed and expended by the District (v)	46,75	
	STA Funds Claimed and Utilized by the District (vi)	46,75	
	Federal Grant Funds Utilized by the District (v)	45,74	
	Adopted Operating Budget (vi)		46
	Capital Project Expediture Plan		130

Covenants of the Issuer

The following summary provides the District's specific and continuing covenants of the issuer in connection with the 2012 Series Revenue Bonds. All Disclosure requirements can be found in the Official Statement, the District's Comprehensive Annual Financial Report (CAFR).

	2012 Official Statement	FY 2014 CAFR Page No.
Punctual Payments	43	42
Application of Farebox Revenues	44	14

District Profile
As of June 30, 2014

Metropolitan Population	1.4 million
Total Employees	933
Service Area	All of Sacramento County, with services to Citrus Heights, Carmichael, Fair Oaks, Elk Grove, Folsom and Rancho Cordova
Area of Authority (in Square Miles)	Approximately 418 Square Miles
Population of Service Area	Approximately 1.7 million
Local Financial Support	Local Transportation Funds Measure A Sales Tax Revenue
Number of Bus Routes	69
Number of Rail Lines	3
Miles of Rail	38.6
Weekday Bus Revenue Service Miles	20,410
Weekday Rail Revenue Service Miles	13,775
Average Weekday Bus and Rail Riders	91,114
Number of Vehicles in Service	199 CNG Buses 76 Rail Vehicles 26 Shuttle Vans
Paratransit	131 Paratransit Vehicles
Park and Ride Lots	18
Bus and Light Rail Transfer Stations	26
Bus Stops	3,100+
Rail Stations	50

TEN YEAR FUNDING HISTORY

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

	FEDERAL FUNDS									
	Federal Transit Funds					Federal Highway Discretionary Funds	Section 5339	Section 5337	ARRA	Other
	Section 5307	Section 5309 Fixed Guideway	Section 5309 Bus	Section 5309 New Start	Section 5316/5317 JARC/NF					
2005	$ 13,650,000	$ 2,978,598	$ 485,888	$ -	$ 1,082,863	$ 8,000,000	$ -	$ -	$ -	$ -
2006	14,840,853	3,452,070	870,000	-	430,000	3,602,000	-	-	-	-
2007	14,250,000	4,217,137	401,280	-	425,047	1.363,000	-	-	-	-
2008	17,177,791	4,562,242	434,720	4,410,000	200,000	7,100,000	-	-	-	-
2009	17,981,339	4,797,633	451,440	6,930,000	483,148	1,363,000	-	-	16,240,000	
2010	19,028,000	4,638,430	-	38,000,000	28,898	2,300,000	-	-	15,057,612	
2011	17,880,540	5,582,436	-	-	285,313	-	-	-	-	-
2012	18,676,000	6,003,331	5,000,000	-	615,000	-	-	-	-	384,912
2013	19,907,689	-	-	40,000,000	525,000	3,229,327	524,211	8,872,128	-	93,287
2014	19,877,317	-	-	45,660,000	318,239	21,071,200	794,629	10,004,225	-	247,500

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: Funds distributed by formula for bus renovations, purchases and bus support facility projects.

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

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

TEN YEAR FUNDING HISTORY (Continued)

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

	STATE FUNDS		LOCAL FUNDS			
	State Transportation Improvement Program	Other	Measure A	Local Transportation Fund	State Transit Assistance	Other
2005	$ -	$ -	$ 33,946,336	$ 35,243,504	$ 2,679,648	$ -
2006	44,368,000	-	41,846,466	37,861,087	5,818,675	-
2007	-	70,000	43,775,228	39,400,100	15,758,692	-
2008	10,125,000	19,512,000	48,105,515	32,459,480	8,541,278	-
2009	-	1,558,699	35,372,181	33,056,759	4,908,090	-
2010	-	7,979,439	79,836,086	24,698,724	5,151,088	-
2011	10,128,000	3,650,232	29,075,732	27,382,646	5,304,891	-
2012	-	25,984,490	31,045,187	34,671,997	9,596,963	-
2013	-	36,576,736	32,368,073	30,043,310	10,019,397	-
2014		2,718,257	33,972,533	34,608,256	9,520,611	50,000

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.

Proposition 116 Rail Bond Funds: Funds approved by California voters in *1990 (Clean Air Transportation Improvement Act*) for passenger rail purposes. The District received a total of $100 million for light rail improvement and expansion projects.

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 FY 2000 State Budget for specific District capital projects, and Proposition 1B funds approved for funding in FY 2007.

Local Funds

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

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

State Transit Assistance Funds: Funds generated by the sales tax on gasoline and diesel fuel sales. These funds are disbursed to transit agencies for a variety of transit capital and operating support needs.

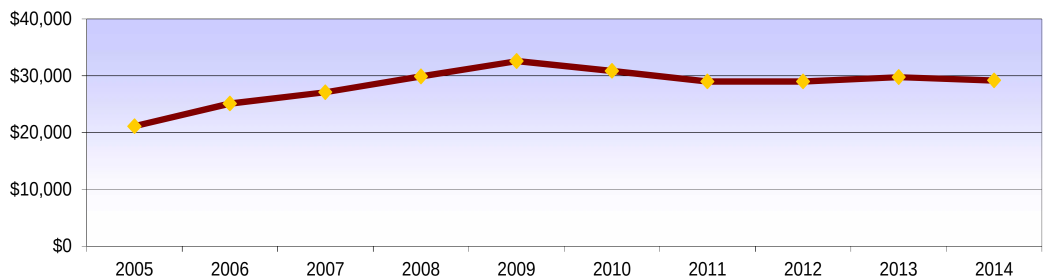
Other: This funding is from County of Sacramento

(1) Of the $15.7 million, $4.7 million was appropriated for operating purposes with the remaining amounts assigned to various capital projects.

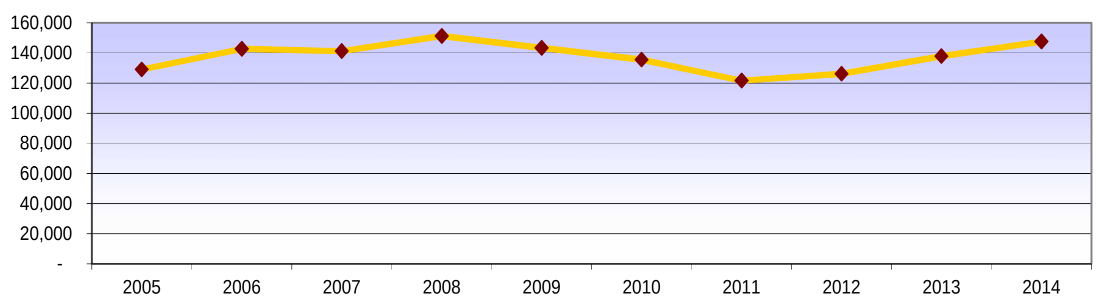
FARE RECOVERY
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fare Revenue	$21,101	$25,072	$27,101	$29,866	$32,571	$30,864	$28,967	$28,964	$29,759	$29,156
Local Fund Supplementation	11,771	11,297	8,887	8,659	3,963	3,663	2,030	3,171	5,370	8,441
Total Operating Expenses	128,909	142,625	141,129	151,079	143,271	135,400	121,557	126,019	137,759	147,443
Fare Recovery Ratio	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%

FARE REVENUE



TOTAL OPERATING EXPENSES

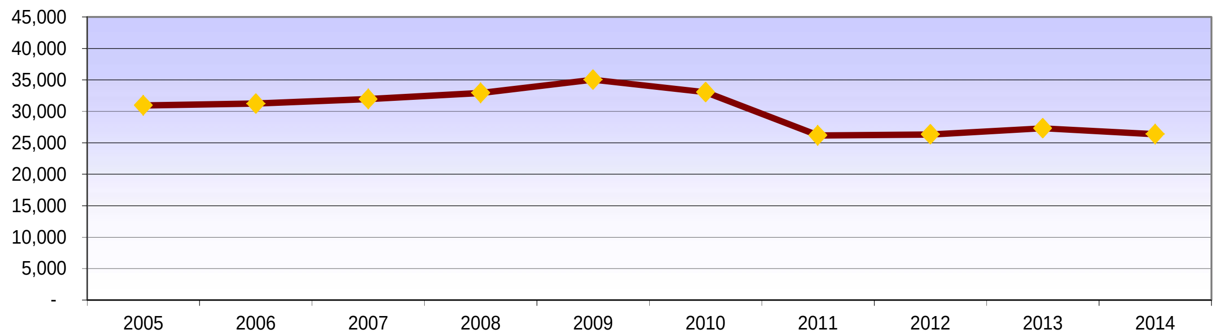


Source: Comprehensive Annual Financial Report

RIDERSHIP
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Ridership	30,938	31,230	31,951	32,951	35,050	33,060	26,161	26,338	27,298	26,368
% change	8.11%	0.94%	2.31%	3.13%	6.37%	(5.68%)	(20.87%)	0.68%	3.64%	(3.41%)

RIDERSHIP



Source: District Planning Department

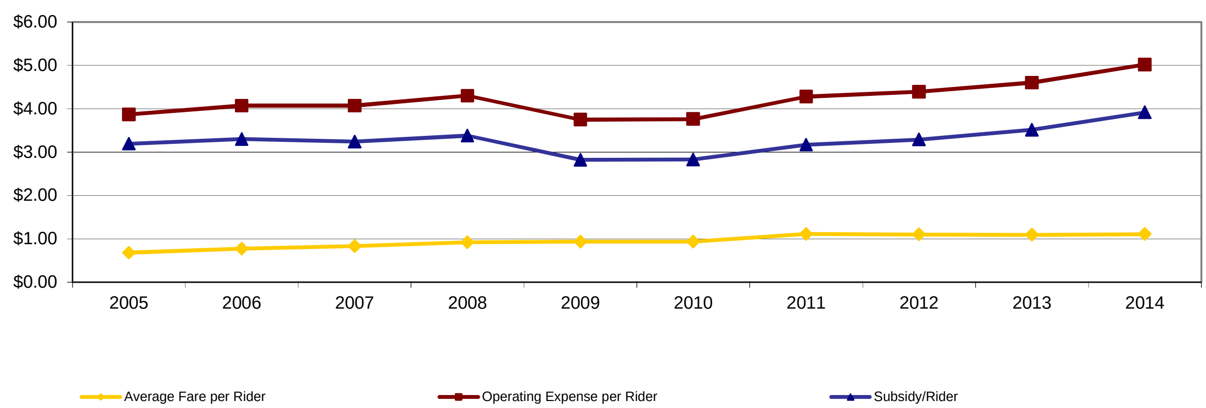
NTD Statistics

OPERATING SUBSIDY
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average Fare per Rider	$0.68	$0.77	$0.83	$0.92	$0.93	$0.93	$1.11	$1.10	$1.09	$1.11
Operating Expense per Rider [1]	$3.87	$4.07	$4.07	$4.30	$3.75	$3.76	$4.28	$4.39	$4.60	$5.02
Subsidy/Rider	$3.19	$3.30	$3.24	$3.38	$2.82	$2.83	$3.17	$3.29	$3.51	$3.92

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

OPERATING EXPENSE & SUBSIDY PER RIDER



Source: Comprehensive Annual Financial Report

District Planning Department
NTD Statistics

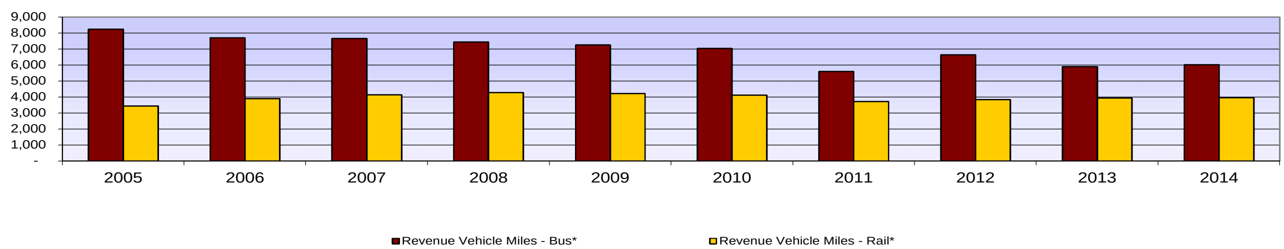
SACRAMENTO REGIONAL TRANSIT DISTRICT
STATISTICAL INFORMATION (UNAUDITED)

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

SERVICE PROVIDED

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
BUS										
Revenue Vehicle Miles - Bus*	8,239	7,688	7,638	7,431	7,244	7,032	5,590	6,632	5,893	6,002
Revenue Vehicle Hours*	749.0	710.9	702.8	677.7	652.0	628.2	501.2	506.0	532.0	548.0
# Vehicles	275	275	269	271	271	233	229	229	232	232
RAIL										
Revenue Vehicle Miles - Rail*	3,429	3,888	4,128	4,267	4,213	4,120	3,697	3,823	3,921	3,947
Revenue Vehicle Hours*	197.3	208.9	209.7	216.7	213.1	208.6	191.1	203.3	217.2	218.6
Train Revenue Hours*	83.3	81.5	81.6	81.9	81.7	81.4	69.3	70.0	82.0	83.2
# of Vehicles	76	76	76	76	76	76	76	76	76	76

SERVICE PROVIDED



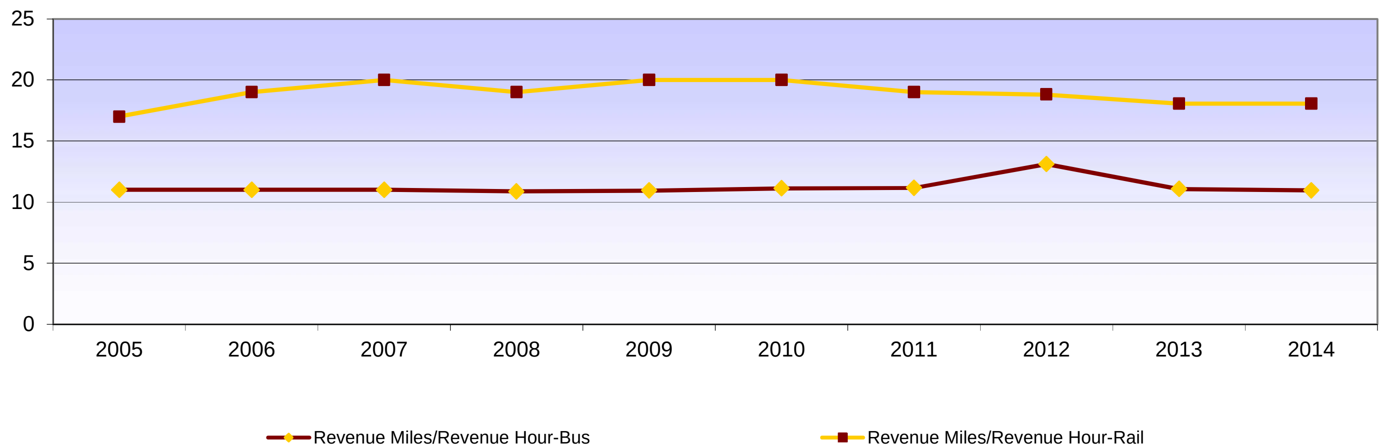
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
BUS										
Passengers*	18,929	16,778	17,461	17,466	17,735	17,579	13,617	13,146	13,784	13,658
Passenger Miles*	61,747	54,559	54,551	57,444	59,001	61,417	47,525	46,521	49,440	53,133
RAIL										
Passengers*	12,009	14,452	14,490	15,485	17,315	15,481	12,544	13,192	13,513	12,710
Passenger Miles*	60,682	78,181	78,760	85,807	93,087	83,409	72,860	74,706	75,797	74,580
TOTAL										
Passengers*	30,938	31,230	31,951	32,951	35,050	33,060	26,161	26,338	27,298	26,368
Passenger Miles*	122,430	132,740	133,311	143,251	152,088	144,826	120,385	121,227	125,237	127,713
FLEET										
Bus	275	275	269	271	271	233	229	219	223	225
Rail	76	76	76	76	76	76	76	76	76	76
TOTAL EMPLOYEES	1,164	1,198	1,162	1,125	1,087	907	901	901	940	933

Source: District Planning Department; NTD Statistics

SERVICE PERFORMANCE DATA (Continued)
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue Miles/Revenue Hour-Bus	11	11	11	11	11	11	11	13	11	11
Revenue Miles/Revenue Hour-Rail	17	19	20	19	20	20	19	19	18	18

SERVICE PERFORMANCE DATA



Source: District Planning Department; NTD Statistics

FARES
(As of June 30, 2014)

Single and Daily Pass Fares

Rider Type	Fare Type	Single Ride	Daily Pass
Age 19-61	Basic	$ 2.50	$ 6.00
Senior (62 & older)	Discount	$ 1.25	$ 3.00
Individuals with Disabilities	Discount	$ 1.25	$ 3.00
Medicare Cardholder	Discount	$ 1.25	$ 3.00
Student (age 5-18)	Discount	$ 1.25	$ 3.00

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	$ 60.00
Daily Fare	Discount	10	$ 30.00

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 Semi-Monthly Sticker	$ 25.00
Yolo Express Sticker*	$ 25.00

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

PERFORMANCE MEASURES

Performance Measures in Sacramento's Peer Transit Agencies

City, State	2010 Urban Area Population		2012 Statistics: Cost per Passenger		Cost per Revenue Mile		Cost per Revenue Hour		Subsidy per Passenger		Farebox Recovery Ratio	
		(UZA Rank)		(Peer Rank)		(Peer Rank)		(Peer Rank)		(Peer Rank)		(Peer Rank)
BUS PEERS												
Sacramento, CA	**1,723,634**	**(28)**	**$ 4.94**	**(4)**	**$ 12.04**	**(4)**	**$ 134.24**	**(4)**	**$ 3.83**	**(4)**	**22.4%**	**(5)**
Buffalo, NY	935,906	(46)	3.95	(6)	10.28	(6)	113.60	(5)	2.80	(6)	29.2%	(1)
Charlotte, NC	1,249,442	(38)	3.45	(7)	7.21	(8)	100.09	(8)	2.58	(7)	25.2%	(2)
Columbus, OH	1,368,035	(36)	4.60	(5)	8.75	(7)	107.52	(7)	3.56	(5)	22.7%	(4)
Long Beach, CA	12,150,996	(2)	2.57	(8)	10.88	(5)	108.62	(6)	1.93	(8)	24.7%	(3)
San Carlos, CA	3,281,212	(13)	7.73	(1)	15.43	(1)	168.62	(2)	6.35	(1)	17.9%	(6)
San Jose, CA	1,664,496	(29)	6.75	(2)	14.98	(2)	181.04	(1)	5.86	(2)	13.1%	(8)
Tacoma, WA	3,059,393	(14)	5.40	(3)	13.08	(3)	151.04	(3)	4.51	(3)	16.3%	(7)
Average for Bus Peers	**3,387,069**		**4.92**		**11.52**		**132.93**		**3.94**		**21.3%**	
RAIL PEERS												
Sacramento, CA	**1,723,634**	**(28)**	**3.45**	**(3)**	**11.91**	**(4)**	**232.56**	**(3)**	**2.35**	**(3)**	**31.7%**	**(5)**
Dallas, TX	5,121,892	(6)	4.92	(2)	17.98	(2)	355.94	(1)	4.28	(2)	13.0%	(7)
Denver, CO	2,374,203	(18)	3.32	(4)	8.10	(6)	152.45	(5)	1.93	(4)	41.9%	(3)
Portland, OR	1,849,898	(24)	2.36	(6)	12.88	(3)	188.42	(4)	1.34	(6)	43.2%	(2)
Salt Lake City, UT	1,021,243	(42)	2.42	(5)	7.11	(7)	90.46	(7)	1.46	(5)	39.8%	(4)
San Diego, CA	2,956,746	(15)	1.94	(7)	8.39	(5)	148.06	(6)	0.86	(7)	55.6%	(1)
San Jose, CA	1,664,496	(29)	5.95	(1)	20.00	(1)	316.83	(2)	5.06	(1)	15.0%	(6)
Average for Rail Peers	**2,498,080**		**3.49**		**12.41**		**208.69**		**2.49**		**34.8%**	

Source: National Transit Database, 2012 Transit Profiles - All Agencies

In 2012, the Sacramento urban area, ranked 28th in the US based on population. Table 1 compares the District's 2012 performance to 7 other bus peer transit properties and 6 other rail peer transit properties. This table indicates the following:

<u>Bus</u>
The District ranks 4th in Cost per Passenger, Cost per Revenue Mile, Cost per Revenue Hour, Subsidy Per Passenger and 5th in Farebox Recovery Ratio among its Bus peer transit agencies.

<u>Rail</u>
The District ranks 3rd in Cost per Passenger, Cost per Revenue Hour and Subsidy per Passenger among its Rail peer transit agencies.
The District ranks 4th in Cost per Revenue Mile among its Rail peer transit agencies.
The District ranks 5th in Farebox Recovery Ratio among its Rail peer transit agencies.

Regional Transit

Sacramento Regional Transit District

Finance Division

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