



**Sacramento
Transportation Authority**

2018

Comprehensive Annual Financial Report

*For the fiscal year ended
June 30, 2018*

Sacramento, CA

www.sacta.org



Sacramento Transportation Authority

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December 4, 2018

**To the Sacramento Transportation Authority Governing Board
and Citizens of the County of Sacramento:**

Letter of Transmittal

State law requires that the Sacramento Transportation Authority (Authority) publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by independent certified public accountants. Pursuant to this requirement, we are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Authority for the fiscal year ended June 30, 2018.

Management assumes responsibility for the completeness and reliability of the information presented in this report based on the Authority's comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Measure A requires that an Independent Taxpayer Oversight Committee (ITOC) supervise fiscal and performance audits regarding the use of all transportation sales tax funds and perform periodic independent reviews to ensure that all Measure A funds are spent in accordance with the provisions in the Ordinance approved by voters. Under the supervision of the ITOC, the Authority engages an independent audit firm to perform annual financial and compliance audits of all Measure A and Sacramento County Abandoned Vehicle Service Authority (SAVSA) funds.

The Authority's current audit firm, Crowe LLP, issued an unmodified opinion on the Authority's financial statements for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Authority

The Authority was established in August 1988 under the Local Transportation and Improvement Act, California Public Utilities Code Division 19. The Governing Board of the Authority (Board) consists of sixteen members – five from the Sacramento County Board of Supervisors, five from the Sacramento City Council, one from the Citrus Heights City Council, two from the Elk Grove City Council, one from the Folsom City Council, one from the Rancho Cordova City Council, and one from the Galt City Council who also represents the City of Isleton. The Board is responsible for establishing ordinances, adopting an annual budget, and hiring

and overseeing the Executive Director. The Executive Director is responsible for carrying out the policies and ordinances of the Authority as well as overseeing day-to-day operations and Authority staff consisting of the Chief Financial Officer and the Special Programs Manager.

The Authority serves as the taxing and implementation agency for the voter-approved Measure A Transportation Improvement Program, which imposes a half-cent sales tax to fund transportation operations and improvements. The original 20-year measure (Original Measure A) was approved in 1988 and began in April 1989. In 2004, voters approved a 30-year extension of Original Measure A beginning in April 2009 (Measure A). All sales tax revenue is restricted for public roadway improvements and maintenance, procuring open space mitigation, public transit, air quality, and elderly and handicapped transportation programs. However, 0.75% of the net sales tax revenue is allocated to the Authority for program administration costs.

Measure A also created the Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP). This program imposes uniform transportation mitigation fees on new development in Sacramento County to assist in funding roadway and transit system improvements needed to accommodate projected growth and development.

In addition to the Original and current Measure A programs, the Board administers the Sacramento Metropolitan Freeway Service Patrol program (FSP) and acts concurrently as the Sacramento Abandoned Vehicle Service Authority (SAVSA) over the Sacramento County abandoned vehicle abatement program. SAVSA was established under California Vehicle Code Section 22710 in 1992. The code allows counties to impose a \$1 surcharge on vehicle registration to fund the abatement of abandoned vehicles. Participating jurisdictions include the County of Sacramento and the Cities of Citrus Heights, Elk Grove, Folsom, Galt, Rancho Cordova, and Sacramento. Each participating jurisdiction has adopted an ordinance which establishes procedures for the abatement, removal, and disposal of abandoned vehicles.

FSP was established in 1992 through a Memorandum of Understanding (MOU) with the Department of Transportation (Caltrans), California Highway Patrol (CHP) and the Authority. Additionally, in 2009 the Authority assumed responsibility for administering FSP in Yolo County. Funding for the program is through Caltrans and local match funds from the Capitol Valley Regional Service Authority for Freeways and Expressways (CVR-SAFE). The program consists of a system of roving tow trucks deployed at peak traffic times to quickly assist motorists with stalled vehicles and to remove related hazards from the roadway. This effort, in turn, reduces nonrecurring freeway delays caused by minor accidents, stalled vehicles, and in-lane debris, improving highway safety and reducing emissions by easing highway congestion.

This report includes all funds and jurisdictions that are financially accountable to the Authority. Accountability was determined on the basis of budget adoption, taxing authority, and imposition of will.

Local Economy

The unemployment rate for Sacramento County continues to decrease as the local economy improves. In October 2018, the unemployment rate was 3.4%, a marked improvement over the last year and lower than California and national unemployment rates of 3.9% and 3.6% respectively. Residential and commercial construction activity outpaced the prior year and is forecast to continue growing. Sacramento is more affordable to live in than many neighboring counties; contributing to population growth, which has been at a modest 1 percent growth rate for about a decade. Many governmental agencies are headquartered in Sacramento which provides a steady employment and tax base.

Since the Great Recession, annual sales tax revenue has consistently increased at a moderate rate and is forecast to continue growing for the foreseeable future. Recent revenue projections performed by a third party expert in conjunction with Authority staff indicate that program sales tax revenues, including past actual amounts and forecasts for future amounts, are on target to meet the estimates in the voter-approved Ordinance - \$4.74 billion.

Regardless of future economic conditions, the Authority faces formidable ongoing challenges in terms of providing needed infrastructure funding to support a population and an economy that has outgrown the capacity of its existing infrastructure. However, the regional economy continues to retain many of the fundamental positive attributes that fueled earlier growth, including a large pool of skilled workers, and increasing wealth and education levels.

Long Term Financial Planning

Proactive financial planning is a critical element for the success of the Authority as it looks to the future. Continually reviewing revenues and projecting expenditures ensures that the Authority's expectations are realistic and goals achievable. As the program nears its capital improvements debt capacity and becomes increasingly reliant on pay-as-you-go funding, monitoring program objectives and working closely with Measure A partners to meet those objectives will be an ongoing endeavor.

The Authority annually updates its long-term revenue projections and cash-flows to determine the availability of funding for capital projects programmed in the Measure A Transportation Expenditure Plan. This effort ensures that funding is available when and where needed based on the latest information provided to the Authority by Measure A partner agencies. As needed, Authority staff work with the Authority's financial advisors to identify opportunities to reduce bond program costs and seize opportunities that present themselves as market conditions dictate.

Accomplishments

Over the last year, Authority staff worked diligently to increase transparency and public accountability. Those efforts have led to many new reports and points of public contact including the following:

- Preparation of quarterly budget-to-actual summary reports for each of the programs the Authority administers. These documents are reviewed and discussed during regular public meetings – engaging board members, staff, and the public.
- Reformatted and expanded the budget presentation to provide more information in a user-friendly format. Staff included a robust discussion regarding the Authority's capital program including all voter-approved projects and a 3-year financing plan by project and funding source.
- Received Government Finance Officer Association's (GOFA's) Distinguished Budget Presentation Award for the first time. This award is in recognition that the Authority met the very highest quality standards that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting.

- Developed the use of new capital status reporting templates so that the information we receive from Measure A partners demonstrates in a simpler and more uniform format how Measure A funds were spent and what the public received as a result.
- Built trusting relationships with our partner agencies by keeping clear channels of communication open through sharing information early and often.
- Carefully reviewed administrative overhead costs and took appropriate actions to reduce costs and improve fund balance. As a result, fund balance which was just \$3,000 at the beginning of the year increased to \$664,000 by the end of the fiscal year.
- Closely worked with the Independent Taxpayer Oversight Committee (ITOC). The ITOC regularly engages the Authority's Governing Board regarding work products and other important matters. The ITOC increased their meeting frequency from about once per quarter to nearly monthly.

Additionally, \$7 million in reserve funds held for debt service on the Series 2009C bonds were released to fund capital projects. This effort was successful, in part, because of the Authority's excellent credit ratings and payment history. In May 2018, the Neighborhood Shuttle pilot program was launched as required under the Ordinance. This program will be funded initially by about \$12 million accumulated since the beginning of the Measure A program.

Finally, the Authority has significantly improved data security by initiating cloud-based computer software and information storage. At the same time, a vendor was hired to ensure all electronic devices and data are working properly and securely. The Authority signed a 10-year lease and moved into a new office suite that is more conducive to business and less expensive than the previous space.

In the coming fiscal year, staff will continue to identify and act on improvements in the way we do everyday business. The business environment and transportation industry are continuously on the move – so are we.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for the fiscal year ended June 30, 2017. This was the 23rd consecutive year the Authority achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government 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 one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for its next certification.

The CAFR each year is a collaborative effort by Authority staff and its independent auditors. The undersigned are grateful to all staff for their willingness to expend the effort necessary to ensure the financial information contained herein is accurate and completed within established deadlines.

In closing, without the leadership and the support of the Board, preparation of this report would not have been possible. Its prudent management must be credited for the strength of the Authority's sound fiscal

condition, and its vision ensures that the Sacramento Transportation Authority will be on the move planning for and building a better future for Sacramento County residents and commuters.

Respectfully Submitted,



TIMOTHY JONES
Chief Financial Officer



NORMAN HOM
Executive Director

SACRAMENTO TRANSPORTATION AUTHORITY

LIST OF PRINCIPAL OFFICIALS

June 30, 2018

BOARD MEMBERS

PATRICK KENNEDY, County of Sacramento
PHIL SERNA, County of Sacramento
SUSAN PETERS, County of Sacramento (Vice-Chair)
SUE FROST, County of Sacramento
DON NOTTOLI, County of Sacramento
KERRI HOWELL, City of Folsom
LARRY CARR, City of Sacramento
ERIC GUERRA, City of Sacramento
STEVE HANSEN, City of Sacramento
JEFF HARRIS, City of Sacramento (Chair)
JAY SCHENIRER, City of Sacramento
ALBERT J. FOX, City of Citrus Heights
DARREN SUEN, City of Elk Grove
PATRICK HUME, City of Elk Grove
CURT CAMPION, City of Galt and Isleton
GARRETT GATEWOOD, City of Rancho Cordova

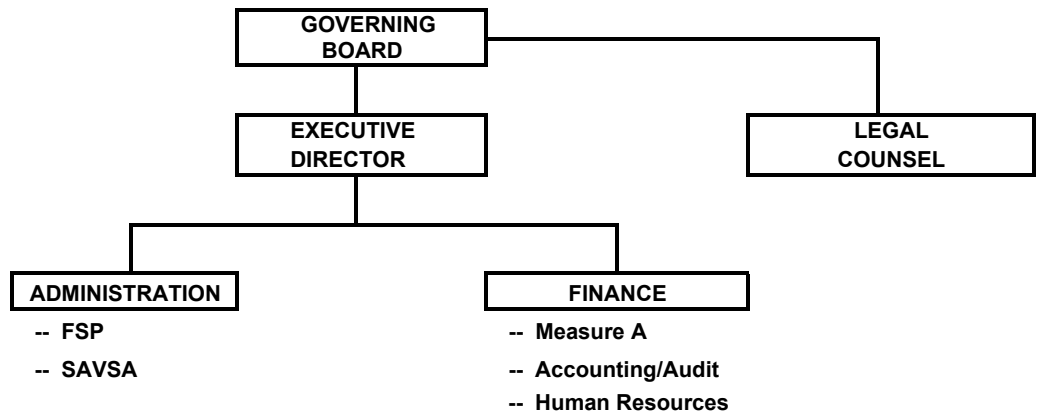
Alternates

NICK AVDIS, County of Sacramento
MARK CREWS, City of Galt and Isleton
BRET DANIELS, City of Citrus Heights
ANDY MORIN, City of Folsom
DONALD TERRY, City of Rancho Cordova
STEVE DETRICK, City of Elk Grove

STAFF

NORMAN HOM, Executive Director
TIMOTHY JONES, Chief Financial Officer
JENNIFER DOLL, Special Programs Manager
WILLIAM BURKE, Legal Counsel

Sacramento Transportation Authority
For the Year Ended June 30, 2018
Organization Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Sacramento Transportation Authority
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

SACRAMENTO TRANSPORTATION AUTHORITY
SACRAMENTO, CALIFORNIA

FINANCIAL STATEMENTS
JUNE 30, 2018

CONTENTS

INTRODUCTORY SECTION

TRANSMITTAL LETTER.....	i
LIST OF PRINCIPAL OFFICIALS	vi
ORGANIZATION CHART	vii
GFOA CERTIFICATE	viii
INDEPENDENT AUDITOR'S REPORT	1

MANAGEMENT'S DISCUSSION AND ANALYSIS	4
--	---

BASIC FINANCIAL STATEMENTS:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES	14

FUND FINANCIAL STATEMENTS:

BALANCE SHEET - GOVERNMENTAL FUNDS.....	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	16
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS.....	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	18
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND	19
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ABANDONED VEHICLE SPECIAL REVENUE FUND.....	20
STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS.....	21
NOTES TO THE BASIC FINANCIAL STATEMENTS.....	22

SACRAMENTO TRANSPORTATION AUTHORITY
SACRAMENTO, CALIFORNIA

FINANCIAL STATEMENTS
JUNE 30, 2018

CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION:

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)	42
SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN (UNAUDITED)	43
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED).....	44

SUPPLEMENTARY INFORMATION:

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS.....	45
--	----

STATISTICAL SECTION

STATISTICAL SECTION INTRODUCTION	47
NET POSITION BY COMPONENT	48
CHANGES IN NET POSITION.....	49
FUND BALANCES OF GOVERNMENTAL FUNDS.....	50
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS	51
REVENUE CAPACITY - REVENUE BASE AND REVENUE RATE	52
REVENUE CAPACITY - PRINCIPAL REVENUE PAYERS.....	53
PRINCIPAL EMPLOYERS	54
DEMOGRAPHIC AND ECONOMIC STATISTICS	55
OPERATING INFORMATION - EMPLOYEES.....	56
OPERATING INFORMATION - DEMAND FOR SERVICES - MEASURE A - BY JURISDICTION	57
RATIOS OF OUTSTANDING DEBT	58
OPERATING INFORMATION - ABANDONED VEHICLE ABATEMENTS	59

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	60
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sacramento Transportation Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Transportation Authority (Authority), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Authority'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Abandoned Vehicle Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. 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 management's discussion and analysis on pages 4 to 12, Schedule of Proportionate Share of the Net Pension Liability Miscellaneous Plan, Schedule of Contributions to the Pension Plan, and Schedule of Changes in the Total OPEB Liability and Related Ratios on pages 42 to 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, Combining Statement of Changes in Assets and Liabilities – All Agency Funds and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statement of Changes in Assets and Liabilities – All Agency Funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Statement of Changes in Assets and Liabilities – All Agency Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(Continued)

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 December 4, 2018 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and somewhat stylized.

Crowe LLP

Sacramento, California
December 4, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

**SACRAMENTO TRANSPORTATION AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

As management of the Sacramento Transportation Authority (STA) and the Sacramento Abandoned Vehicle Service Authority (SAVSA), collectively the Authority, we offer readers the Authority’s financial statements and this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information furnished in the transmittal letter and financial statements, which are included in this report.

Financial Highlights

- Sales tax revenue increased to \$119.2 million from \$116.9 million (2.0%) over the prior year; however, sales tax revenue was \$3.5 million short of the forecasted amount in the final amended budget. The shortage was caused when the California Department of Tax and Fee Administration (CDTFA) changed its internal processes and implemented a new revenue tracking system, which delayed processing fiscal year (FY) 2017-18 fourth quarter sales tax returns. As such, CDTFA notified the Authority that some fourth quarter sales tax revenue would be remitted beginning the first quarter of FY 2018-19. CDTFA is unable to determine what portion of the sales tax revenue remitted in FY 2018-19 is attributable to FY 2017-18; therefore, Authority staff did not accrue the additional sales tax revenue.
- Expenses decreased slightly to \$128.8 million from \$129.8 million in the prior year. Interest on long-term debt increased about \$1.4 million over the prior year offset by a \$2.4 million decrease in expenditures for Measure A, the Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP), SAVSA, and the Sacramento Metropolitan Freeway Service Patrol Program (FSP).
- Net position is a negative \$320.9 million (deficit). The deficit decreased by \$4.8 million (1.5%) when compared to the prior year, in part, because the Authority made a \$3.6 million principal payment on its Series 2012 bonds. The deficit will continue since the Authority reports debt associated with capital projects reported as assets in the financial statements of the agencies constructing them.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Authority’s basic financial statements, which are comprised of three components; government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* provide readers with a broad overview of the Authority’s finances, similar to a private sector business

The *statement of net position* presents information on all of the Authority's assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report the functions of the Authority principally supported by sales tax revenue and mitigation fees. The governmental activities of the Authority include Measure A formulaic allocations, capital program costs, FSP and SAVSA services, and general administration.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting ensures and demonstrates compliance with finance-related legal requirements.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental fund financial statements focus on near-term inflows/outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide financial information.

The Authority's governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance include three separate funds - the General Fund, Special Revenue Fund, and Debt Service Fund.

The Authority adopts an annual budget for the General Fund, Special Revenue, and Debt Service funds. A budgetary comparison schedule for the General Fund and SAVSA are part of the basic financial statements.

Fiduciary funds account for assets held in a trustee or agency capacity for others and therefore cannot support the Authority's own programs. Accounting methods for fiduciary and proprietary funds are similar, except for agency funds, which have more limited accounting and financial statements because of their purely custodial nature.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Within the *statement of net position*, the most significant change was a \$19.4 million decrease in *deferred outflows of resources* mainly related to the hedging derivatives' fair value; however, there is a corresponding decrease in non-current liabilities resulting in a zero net impact on the Authority's net position. Annually, an independent third party estimates the market rate cost to exit the three forward interest rate swaps (fixed rate) to hedge the variable rate interest rate risk associated with the Series 2009 Measure A Sales Tax Revenue Bonds. Currently, interest rates are rising, which in the Authority's case, decreases the difference between the variable and fixed bond interest rates and in turn decreases the fair value of the hedging derivatives.

- Current and other assets and current liabilities decreased by \$3.6 million and \$4.2 million respectively. The decrease is caused in part by decreased sales tax accruals and the associated expenses that are accrued since most of the revenue is passed through to the Authority's Measure A partners.
- Non-current liabilities decreased a total of \$23.7 million. In addition to the change in value for the hedging derivatives, a principal payment for \$3.6 million toward the Series 2012 bonds reduced outstanding bond debt and unamortized bond premium was reduced by about \$750,000.

SACRAMENTO TRANSPORTATION AUTHORITY				
STATEMENT OF NET POSITION				
	2018	2017	Increase or (Decrease)	
			Dollar	Percent
Current and Other Assets	\$ 72,590,730	\$ 76,216,806	\$ (3,626,076)	(4.8%)
Total assets	<u>72,590,730</u>	<u>76,216,806</u>	<u>(3,626,076)</u>	<u>(4.8%)</u>
Deferred outflows of resources	69,003,706	88,439,763	(19,436,057)	(22.0%)
Current Liabilities	24,684,493	28,915,225	(4,230,732)	(14.6%)
Non -Current Liabilities	<u>437,709,835</u>	<u>461,379,607</u>	<u>(23,669,772)</u>	<u>(5.1%)</u>
Total liabilities	<u>462,394,328</u>	<u>490,294,832</u>	<u>(27,900,504)</u>	<u>(5.7%)</u>
Deferred inflows of resources	57,438	36,946	20,492	55.5%
Net position				
Restricted for Measure A	46,696,725	47,684,272	(987,547)	(2.1%)
Restricted for debt service	6,923,116	6,588,099	335,017	5.1%
Restricted for Other	492,100	-	492,100	100.0%
Unrestricted	<u>(374,969,271)</u>	<u>(379,947,580)</u>	<u>4,978,309</u>	<u>1.3%</u>
Total net position (deficit)	<u>\$ (320,857,330)</u>	<u>\$ (325,675,209)</u>	<u>\$ 4,817,879</u>	<u>1.5%</u>

The majority of the Authority's deficit net position represents debt issued to fund capital projects constructed by other local agencies and reported in their financial statements. The Authority is a pass through agency that exists to fund projects, not build them.

Within the *Statement of Activities*, the most significant change was in General Revenue. This variance was previously explained in the financial highlights section of this report. The remaining variances are explained by the following:

- Measure A expenditures decreased by \$1.6 million. Although ongoing program allocations were roughly \$2 million higher in FY 2017-18 than the prior year, this was offset by reduced capital project costs of \$3.6 million in FY 2017-18.
- Debt service expenses increased by \$1.4 million. The variance is attributable to increased interest costs for the Authority's variable rate bonds including supporting liquidity facilities and weekly remarketing activities.
- The "other" expenses are attributed to FSP and the Authority's administration costs that decreased over \$490,000 in FY 2017-18. Administration costs decreased by about \$350,000, primarily in the areas of salaries and benefits when staff count was reduced from 4 to 3 at the beginning of the fiscal year, and reduced costs for professional services. Additionally, costs for FSP decreased by about \$140,000 when professional services and communications costs were less than expected.

SACRAMENTO TRANSPORTATION AUTHORITY				
STATEMENT OF ACTIVITIES				
	2018	2017	Increase or (Decrease)	
			Dollar	Percent
Revenue				
Program Revenue	\$ 11,396,632	\$ 11,196,129	\$ 200,503	1.8%
General Revenue	122,389,862	118,832,325	3,557,537	3.0%
Total revenues	<u>133,786,494</u>	<u>130,028,454</u>	<u>3,758,040</u>	<u>2.9%</u>
Expenses				
Measure A	107,272,924	108,879,568	(1,606,644)	(1.5%)
Debt Service	17,662,386	16,227,155	1,435,231	8.8%
SAVSA	1,118,297	1,400,871	(282,574)	(20.2%)
Other	2,759,201	3,250,860	(491,659)	(15.1%)
Total expenses	<u>128,812,808</u>	<u>129,758,454</u>	<u>(945,646)</u>	<u>(0.7%)</u>
Change in net position	4,973,686	270,000	4,703,686	1,742.1%
Net position (deficit) - beginning	<u>(325,675,209)</u>	<u>(325,945,209)</u>	270,000	0.1%
Restatement of beginning net position	(155,807)	-	(155,807)	(100.0%)
Net position (deficit) - ending	<u>\$(320,857,330)</u>	<u>\$(325,675,209)</u>	<u>\$ 4,817,879</u>	<u>1.5%</u>

Because of the variances explained above, the Authority's deficit net position decreased by \$4.8 million. This trend is expected to continue unless more debt is issued in the future.

Governmental Funds Financial Analysis

The focus of the Authority's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

As of June 30, 2018, the Authority's governmental funds reported combined fund balances of \$54.8 million, a slight increase from \$54.2 million in the prior year.

SACRAMENTO TRANSPORTATION AUTHORITY				
FUND BALANCE				
	2018	2017	Increase or (Decrease)	
			Dollar	Percent
General Fund	47,691,937	47,650,513	41,424	0.1%
SAVSA*	160,919	-	160,919	100.0%
Debt Service	6,923,116	6,588,099	335,017	5.1%
Total	<u>54,775,972</u>	<u>54,238,612</u>	<u>537,360</u>	<u>1.0%</u>

* Sacramento Abandoned Vehicle Service Authority

All fund balances are restricted for specific purposes with exception of the amount reported in the general fund for program administration - \$664,031 as of June 30, 2018. The general fund balance will decrease in FY 2018-19 as the Authority increases spending on its capital program using pay-as-you-go money.

General Fund – This fund reports activity for the Measure A program, the Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP), and the Sacramento Metropolitan Freeway Service Patrol Program (FSP). The general fund ended the fiscal year with a fund balance of \$47.7 million, similar to the prior year.

- Cash and investments increased \$4.7 million because sales tax revenue in excess of debt service costs and the release of \$7 million from the reserve fund for debt service on the Series 2009C bonds was greater than reimbursable capital project claims.
- Due From Other Governments decreased \$1.6 million because sales tax revenue accruals for the fourth quarter were \$2.9 million less than expected offset by increased revenue accruals for SCTMFP of \$878,000 and FSP in the amount of \$376,000.
- Restricted cash and investments decreased by \$7 million in the current year because the Authority's strong credit rating allowed it to negotiate the release of reserve funds held for debt service on its Series 2009C bonds. The funds increased the cash and investment account which is used to fund capital projects.
- Due to Other Governments decreased by \$3.9 million in the current year. There are two reasons; (1) since sales tax revenue was lower than expected, the allocations of that revenue to Measure A partner agencies are lower as well, decreasing the associated liability by \$2.9 million, (2) capital project reimbursement claims were roughly \$1 million less than the prior year.
- Measure A and SCTMFP fund balances reported large variances primarily because of a \$13.2 million *intrafund* transfer. In September 2017, the Authority reimbursed the SCTMFP fund (a subfund of the General Fund) with Measure A funds for past expenditures

it incurred while Authority staff assessed capital project cash flows. The remaining variance was caused when more Measure A funds than SCTMFP funds were used to reimburse capital project claims for the remainder of the fiscal year.

SACRAMENTO TRANSPORTATION AUTHORITY				
BALANCE SHEET - GENERAL FUND				
	2018	2017	Increase or (Decrease)	
			Dollar	Percent
Assets				
Cash and Investments	\$35,458,361	\$30,727,277	4,731,084	15.4%
Prepaid Items	-	4,763	(4,763)	(100.0%)
Interest Receivable	221,733	185,075	36,658	19.8%
Due From Other Governments	24,104,264	25,752,781	(1,648,517)	(6.4%)
Due From Other Funds	111,628	157,604	(45,976)	(29.2%)
Restricted Cash and Investments	5,356,135	12,349,716	(6,993,581)	(56.6%)
Total assets	<u>65,252,121</u>	<u>69,177,216</u>	<u>(3,925,095)</u>	<u>(5.7%)</u>
Liabilities				
Accounts Payable	110,109	130,924	(20,815)	(15.9%)
Due to Other Governments	17,450,075	21,395,779	(3,945,704)	(18.4%)
Total liabilities	<u>17,560,184</u>	<u>21,526,703</u>	<u>(3,966,519)</u>	<u>(18.4%)</u>
Fund Balances				
Nonspendable	-	4,763	(4,763)	(100.0%)
Restricted				
Measure A	23,381,713	42,991,554	(19,609,841)	(45.6%)
SCTMFP	23,315,012	4,692,718	18,622,294	396.8%
FSP	331,181	-	331,181	100.0%
Unassigned				
General Administration	664,031	3,224	660,807	20,496.5%
FSP	-	(41,746)	41,746	100.0%
Total fund balance	<u>47,691,937</u>	<u>47,650,513</u>	<u>41,424</u>	<u>0.1%</u>
Total Liabilities and Fund Balances	<u>\$65,252,121</u>	<u>\$69,177,216</u>	<u>\$ (3,925,095)</u>	<u>(5.7%)</u>

General Fund Budgetary Highlights

Revenue – Although actual sales tax revenue for FY 2017-18 increased by \$2.3 million (2.0%) over FY 2016-17, it was \$3.5 million (2.9%) less than expected as previously explained in the financial highlights section. In contrast, SCTMFP revenue was \$1.6 million higher (21.3%) than expected because construction activity that generates the fee has continued at a robust pace. Interest income (use of money and property) was \$1.5 million higher (50.5%) than budgeted because interest rate swap revenue received on the Authority’s bond debt increased with rising interest rates which also increased interest income on the fund balance accumulated for bond program principal payments.

Expenditures - Intergovernmental expenditures were \$5.6 million (5.2%) less than budgeted for two reasons; (1) about \$2.9 million less was passed through to Measure A partner agencies

because sales tax revenues were less than expected, and (2) several capital projects required less funding than the agencies building them originally projected.

SACRAMENTO TRANSPORTATION AUTHORITY				
BUDGET TO ACTUAL ANALYSIS				
	Final Amended		Increase or (Decrease)	
	Budget	Actual	Dollar	Percent
Revenues:				
Taxes	\$ 122,668,000	\$ 119,187,748	(3,480,252)	(2.9%)
SCTMFP	6,000,000	7,621,753	1,621,753	21.3%
Grants for FSP	2,143,057	2,498,978	355,921	14.2%
Use of Money and Property	1,500,000	3,030,088	1,530,088	50.5%
Miscellaneous	-	120,855	120,855	100.0%
Total Revenues	<u>132,311,057</u>	<u>132,459,422</u>	<u>148,365</u>	<u>0.1%</u>
Expenditures:				
General Government:				
Administrative	606,661	498,402	108,259	21.7%
FSP	2,122,824	2,126,051	(3,227)	(0.2%)
Intergovernmental	112,852,714	107,272,924	5,579,790	5.2%
Total Expenditures	<u>115,582,199</u>	<u>109,897,377</u>	<u>5,684,822</u>	<u>5.2%</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	0.0%
Transfers out	(19,990,000)	(22,520,621)	(2,530,621)	11.2%
Total Other Financing Sources (Uses)	<u>(19,990,000)</u>	<u>(22,520,621)</u>	<u>(2,530,621)</u>	<u>11.2%</u>
Changes in Fund Balance	(3,261,142)	41,424	(3,302,566)	(7,972.6%)
Fund Balance Beginning of Year	47,650,513	47,650,513	-	0.0%
Fund Balance End of Year	44,389,371	47,691,937	3,302,566	6.9%

Other Financing Sources (Uses) – Actual expenditures were higher than budgeted by \$2.5 million. These expenditures are for debt service. When budgeting for the debt service costs, staff nets the interest income (use of money and property) against the transfers out. Since roughly \$2.5 million in interest income is from the Authority’s interest rate swap partners, the net debt service is about \$19.9 million, which materially agrees with the budgeted amount.

Long-term Debt

In October 2009, the Authority issued \$318.3 million in variable rate Sales Tax Revenue Bonds. The bonds issued were in three Series – 2009A, 2009B, and 2009C. Subsequently, Series 2014A and 2015A bonds refunded Series 2009A and 2009B bonds respectively. In July 2012, the Authority issued an additional \$53.4 million in fixed-rate Sales Tax Revenue Bonds to accelerate transportation construction projects. The remaining principal amount in the table below for the Series 2012 bonds reflects principal payments made in FY 2016-17 and FY 2017-18. Below is a summary of the Authority’s bond portfolio as of June 30, 2018.

SACRAMENTO TRANSPORTATION AUTHORITY			
LONG-TERM DEBT			
	<u>Amount</u>	<u>Type</u>	<u>Maturity</u>
Series 2009C	106,100,000	VRDB*	October 2038
Series 2012	46,315,000	Fixed	October 2027
Series 2014A	106,100,000	FRN**	October 2038
Series 2015A	106,100,000	VRDB*	October 2038
Total	<u>364,615,000</u>		

* Variable Rate Demand Bond

** Floating Rate Note

The Series 2009C bonds are variable-rate with a weekly interest rate reset. The bonds are supported by a liquidity facility in the form of a standby bond purchase agreement (SBPA) provided by US Bank and due to expire in December 2020. The Series 2009C bondholders have the right to tender the bonds weekly. Upon the tender, the remarketing agent attempts to remarket the bonds. If the remarketing is unsuccessful, the Trustee will draw upon the SBPA to purchase the bonds and the bonds will enter into a bank bond period in which they accrue interest. These highly rated bonds have always been remarketable. US Bank agrees to provide liquidity to the bondholders in exchange for a commitment fee calculated as a percentage of the bank commitment amounts.

In September 2014, the Authority refunded \$106.1 million in Series 2009A bonds with Series 2014A variable rate Sales Tax Revenue Refunding bonds to release \$8.2 million held in a reserve fund for debt service. This money funded capital projects and paid for issuance costs. The Series 2014A bonds were directly purchased by Wells Fargo and do not require a separate liquidity facility or any credit enhancement. Wells Fargo is paid interest on the bonds based on 67% of 1-month London Interbank Offered Rate (LIBOR), plus a fixed spread. The direct purchase agreement is due to expire in August 2020. The Authority retained the interest rate swaps.

In March 2015, the Authority refunded \$106.1 million in Series 2009B bonds with Series 2015A variable rate Sales Tax Revenue Refunding bonds to release \$10.3 million held in a reserve fund for debt service. This money funded capital projects and paid issuance costs. Similar to the Series 2009C bonds described above, these bonds require a liquidity facility in the form of an SBPA. Sumitomo Mitsui Banking Corporation holds the SBPA, which is due to expire in May 2023. These bonds have always been remarketable. The Authority retained the interest rate swaps.

Economic Indicators

Since Sacramento is California's capital city, it has a high concentration of government jobs. According to an October 2018 report by the California Employment Development Department, government jobs in the four-county Sacramento region comprise 24% of the total labor force. The unemployment rate continued to decrease over the last year to 3.4% in September 2018, which is lower than the unemployment rate of 3.9% for California and 3.6% for the nation. The largest employment gains over the last year were in the sectors of trade, transportation, and utilities, followed by educational and health services, and government. No sector experienced any notable losses. Total employment increased by 11,100 to 993,900 (1.1%) in September 2018 from 982,800 one year ago. Population growth is one of the factors expected to drive up taxable sales by 5.0%

in FY 2018-19 to \$26.2 billion as compared to \$24.9 billion in FY 2017-18. Likewise, the Authority's adopted budget for FY 2018-19 forecasts \$129.4 million in sales tax revenue, which is 8.5% higher than the actual prior year revenue.

Contacting the Authority's Management

This financial report provides a general overview of the Authority's finances by showing the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer at 801 12th Street Floor 5, Sacramento, California 95814-2947. This report is available on the Authority's website at www.sacta.org.

BASIC FINANCIAL STATEMENTS

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 35,649,106
Receivables:	
Interest	223,666
Due from other governments	24,438,707
Restricted cash and investments	<u>12,279,251</u>
Total assets	<u>72,590,730</u>
DEFERRED OUTFLOWS OF RESOURCES	
Fair value of hedging derivatives (long-term interest rates)	68,691,578
Pension	305,607
OPEB	<u>6,521</u>
Total deferred outflows of resources	<u>69,003,706</u>
LIABILITIES	
Accounts payable	110,109
Due to other governments	17,704,649
Interest payable	3,092,035
Long-term liabilities:	
Due within one year	3,777,700
Long-term debt, due in more than one year	436,425,196
Compensated absences, due in more than one year	77,823
Net pension liability	1,044,537
Total OPEB liability	<u>162,279</u>
Total liabilities	<u>462,394,328</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	49,623
OPEB	<u>7,815</u>
Total deferred inflows of resources	<u>57,438</u>
NET POSITION	
Restricted for Measure A projects	23,381,713
Restricted for SCTMFP	23,315,012
Restricted for FSP	331,181
Restricted for SAVSA	160,919
Restricted for debt service	6,923,116
Unrestricted	<u>(374,969,271)</u>
Total net position	<u>\$ (320,857,330)</u>

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
June 30, 2018

Functions / Programs:	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating Grants and Contributions</u>	<u>Net (Expense) and Revenue</u> <u>Governmental Activities</u>
Governmental activities:			
Measure A	\$ 105,146,632	\$ -	\$ (105,146,632)
SCTMFP	2,126,292	7,621,753	5,495,461
FSP	2,126,051	2,498,978	372,927
SAVSA	1,118,297	1,275,901	157,604
Administration	633,150	-	(633,150)
Interest on long-term debt	<u>17,662,386</u>	<u>-</u>	<u>(17,662,386)</u>
Total governmental activities	<u>\$ 128,812,808</u>	<u>\$ 11,396,632</u>	<u>\$ (117,416,176)</u>
			General revenues:
			Sales taxes
			119,187,748
			Interest, investment earnings and other
			<u>3,202,114</u>
			Total general revenues
			<u>122,389,862</u>
			Change in net position
			4,973,686
			Net position, beginning of year, as originally stated
			<u>(325,675,209)</u>
			Cumulative effect of GASB 75 implementation
			<u>(155,807)</u>
			Net position, beginning of year, as restated
			<u>(325,831,016)</u>
			Net position, end of year
			<u>\$ (320,857,330)</u>

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	<u>General</u>	<u>Abandoned Vehicle Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 35,458,361	\$ 190,745	-	\$ 35,649,106
Receivables:				
Interest	221,733	1,933	-	223,666
Due from other governments	24,104,264	334,443	-	24,438,707
Due from other funds	111,628	-	-	111,628
Restricted cash and investments	<u>5,356,135</u>	<u>-</u>	<u>6,923,116</u>	<u>12,279,251</u>
 Total assets	 <u>\$ 65,252,121</u>	 <u>\$ 527,121</u>	 <u>\$ 6,923,116</u>	 <u>\$ 72,702,358</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued liabilities	\$ 110,109	\$ -	\$ -	\$ 110,109
Due to other governments	17,450,075	254,574	-	17,704,649
Due to other funds	<u>-</u>	<u>111,628</u>	<u>-</u>	<u>111,628</u>
 Total liabilities	 <u>17,560,184</u>	 <u>366,202</u>	 <u>-</u>	 <u>17,926,386</u>
FUND BALANCES				
Restricted:				
Measure A	23,381,713	-	-	23,381,713
SCTMFP	23,315,012	-	-	23,315,012
SAVSA	-	160,919	-	160,919
FSP	331,181	-	-	331,181
Debt service	-	-	6,923,116	6,923,116
Unassigned:				
General administration	<u>664,031</u>	<u>-</u>	<u>-</u>	<u>664,031</u>
 Total fund balances	 <u>47,691,937</u>	 <u>160,919</u>	 <u>6,923,116</u>	 <u>54,775,972</u>
 Total liabilities and fund balances	 <u>\$ 65,252,121</u>	 <u>\$ 527,121</u>	 <u>\$ 6,923,116</u>	 <u>\$ 72,702,358</u>

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances - governmental funds \$ 54,775,972

Amounts reported for the governmental activities in the statement of net position are different because:

Long-term liabilities, including premium and hedging derivatives, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Bonds, including premiums and hedging derivatives	(440,165,196)	
Fair value of hedging derivatives	68,691,578	(371,473,618)

Net Pension liability and Total OPEB Liability are not due and payable in the current period and are not reported in the fund statements.

Deferred outflow of resources	312,128	
Deferred inflow of resources	(57,438)	
Net Pension liability	(1,044,537)	
Total OPEB liability	(162,279)	(952,126)

Interest payable is not due and payable in the current period and therefore is not reported in the fund statements. (3,092,035)

Compensated absences are not due and payable in the current period and therefore are not reported in the fund statements. (115,523)

Total net position - governmental activities \$ (320,857,330)

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
June 30, 2018

	<u>General</u>	Abandoned Vehicle Special Revenue	Debt Service	Total Governmental Funds
Revenues:				
Taxes	\$ 119,187,748	\$ -	\$ -	\$ 119,187,748
Mitigation fees	7,621,753	-	-	7,621,753
Vehicle registration fees		1,275,901	-	1,275,901
Grants for freeway services	2,498,978	-	-	2,498,978
Use of money and property	3,030,088	3,315	47,856	3,081,259
Miscellaneous	<u>120,855</u>	<u>-</u>	<u>-</u>	<u>120,855</u>
Total revenues	<u>132,459,422</u>	<u>1,279,216</u>	<u>47,856</u>	<u>133,786,494</u>
Expenditures:				
General government:				
Administrative	498,402	44,335	-	542,737
Freeway Service Patrol	2,126,051	-	-	2,126,051
Intergovernmental	107,272,924	1,073,962	-	108,346,886
Debt service:				
Principal retirement	-	-	3,590,000	3,590,000
Interest and other charges	<u>-</u>	<u>-</u>	<u>18,643,460</u>	<u>18,643,460</u>
Total expenditures	<u>109,897,377</u>	<u>1,118,297</u>	<u>22,233,460</u>	<u>133,249,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>22,562,045</u>	<u>160,919</u>	<u>(22,185,604)</u>	<u>537,360</u>
Other financing sources (uses):				
Transfers in	-	-	22,520,621	22,520,621
Transfers out	<u>(22,520,621)</u>	<u>-</u>	<u>-</u>	<u>(22,520,621)</u>
Total other financing sources (uses)	<u>(22,520,621)</u>	<u>-</u>	<u>22,520,621</u>	<u>-</u>
Change in fund balances	41,424	160,919	335,017	537,360
Fund balances, beginning of the year	<u>47,650,513</u>	<u>-</u>	<u>6,588,099</u>	<u>54,238,612</u>
Fund balances, end of year	<u>\$ 47,691,937</u>	<u>\$ 160,919</u>	<u>\$ 6,923,116</u>	<u>\$ 54,775,972</u>

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2018

Net change in fund balances - total governmental Funds	\$	537,360
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Amounts reported for governmental activities in the statement of activities are different because:

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the amounts by which repayments exceed proceeds.

Principal payments		3,590,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds.

Pension expense		(103,928)
OPEB expense		(14,287)
Change in compensated absences		(16,532)
Change in interest payable		225,997
Bond premium amortization		<u>755,076</u>

Change in net position of governmental activities	\$	<u>4,973,686</u>
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See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 121,062,000	\$ 122,668,000	\$ 119,187,748	\$ (3,480,252)
Mitigation fees	6,000,000	6,000,000	7,621,753	1,621,753
Grants for freeway services	2,187,596	2,143,057	2,498,978	355,921
Use of money and property	1,500,000	1,500,000	3,030,088	1,530,088
Miscellaneous	-	-	120,855	120,855
	<u>130,749,596</u>	<u>132,311,057</u>	<u>132,459,422</u>	<u>148,365</u>
Total revenues				
Expenditures:				
General government:				
Administrative	824,416	606,661	498,402	108,259
Freeway Service Patrol	2,187,596	2,122,824	2,126,051	(3,227)
Intergovernmental	<u>119,293,907</u>	<u>112,852,714</u>	<u>107,272,924</u>	<u>5,579,790</u>
	<u>122,305,919</u>	<u>115,582,199</u>	<u>109,897,377</u>	<u>5,684,822</u>
Total expenditures				
Excess of revenues over expenditures	8,443,677	16,728,858	22,562,045	5,833,187
Other financing uses:				
Transfers out	<u>(19,990,000)</u>	<u>(19,990,000)</u>	<u>(22,520,621)</u>	<u>(2,530,621)</u>
Changes in fund balance (budgetary basis)	(11,546,323)	(3,261,142)	41,424	3,302,566
Fund balance, beginning of year	<u>47,650,513</u>	<u>47,650,513</u>	<u>47,650,513</u>	<u>-</u>
Fund balance, end of year	<u>\$ 36,104,190</u>	<u>\$ 44,389,371</u>	<u>\$ 47,691,937</u>	<u>\$ 3,302,566</u>

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - ABANDONED VEHICLE SPECIAL REVENUE FUND
June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Vehicle registration fees	\$ 1,174,600	\$ 1,174,600	\$ 1,275,901	\$ 101,301
Use of money and property - interest	<u>400</u>	<u>400</u>	<u>3,315</u>	<u>2,915</u>
Total revenues	<u>1,175,000</u>	<u>1,175,000</u>	<u>1,279,216</u>	<u>104,216</u>
Expenditures:				
General government:				
Intergovernmental	1,112,623	1,112,623	1,073,962	38,661
Administrative	<u>62,377</u>	<u>87,219</u>	<u>44,335</u>	<u>42,884</u>
Total expenditures	<u>1,175,000</u>	<u>1,199,842</u>	<u>1,118,297</u>	<u>81,545</u>
Changes in fund balance (budgetary basis)	-	(24,842)	160,919	185,761
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ (24,842)</u>	<u>\$ 160,919</u>	<u>\$ 185,761</u>

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2018

ASSETS

Cash and investments	\$ 28,095,817
Interest receivable	179,854
Due from other governments	<u>358,787</u>
 Total assets	 <u>\$ 28,634,458</u>

LIABILITIES

Due to other governments	\$ 1,436,370
Deposits	<u>27,198,088</u>
 Total liabilities	 <u>\$ 28,634,458</u>

See accompanying notes to financial statements.

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sacramento Transportation Authority (Authority) and the Sacramento Abandoned Vehicle Service Authority (SAVSA) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Organizations: In August 1988, the Authority was established under the Local Transportation and Improvement Act, California Public Utilities Code Division 19. In November 1988, Sacramento County voters approved an ordinance (Original Measure A) enacted by the Authority's Governing Board (Board) imposing a retail transactions and use tax (sales tax) increase throughout the County at a maximum rate of 0.5% for a period of 20 years. In November 2004, taxpayers approved a 30-year extension of the sales tax beginning in April 2009 (Measure A).

In 1992, SAVSA was established as a separate legal entity under California Vehicle Code Section 22710. The code establishes a \$1 vehicle registration fee to be used for the abatement of abandoned vehicles for counties electing to impose the fee. The County Board of Supervisors, by a two-thirds vote, and the City Councils of a majority of the cities within the County having a majority of the incorporated population, adopted resolutions providing for the establishment of SAVSA. SAVSA reimburses the County, and the Cities of Sacramento, Galt, Folsom, Elk Grove, Citrus Heights, and Rancho Cordova according to the Sacramento Abandoned Vehicle Abatement Plan. SAVSA is considered a blended component unit of the Authority as the board and management of the Authority are also the board of SAVSA. SAVSA is presented as the Abandoned Vehicle Special Revenue Fund.

In 1992, the Authority entered into a Memorandum of Understanding (MOU) with the Department of Transportation (Caltrans) and the California Highway Patrol (CHP) to administer the Sacramento Metropolitan Freeway Service Patrol Program (FSP). In 2009, the Authority began administering the FSP program for Yolo County. Funding for the program is provided by a state grant from Caltrans and local matching funds from the Capitol Valley Regional Service Authority for Freeways & Expressways (CVR-SAFE).

The Authority's Board consists of sixteen-members – five from the Sacramento County Board of Supervisors, five from the Sacramento City Council, one from the Citrus Heights City Council, two from the Elk Grove City Council, one from the Folsom City Council, one from the Galt City Council, and one from the Rancho Cordova City Council. Under Measure A, the Authority distributes sales tax proceeds as prescribed by the ordinance to the County of Sacramento, the Cities of Sacramento, Folsom, Galt, Isleton, Citrus Heights, Rancho Cordova, and Elk Grove, the Sacramento Regional Transit District, Paratransit, Inc., the Sacramento Metropolitan Air Quality Management District, and the Neighborhood Shuttle Program.

Basis of Presentation: Government-wide financial statements (the Statement of Net Position and the Statement of Activities) provide information on all of the nonfiduciary activities of the Authority.

The Statement of Net Position reports all financial resources of the Authority as a whole in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. The Statement of Activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Sales tax and interest earnings are not program related, but reported as general revenues. Fund financial statements are provided for governmental and fiduciary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority maintains the minimum number of funds consistent with legal and managerial requirements. Fiduciary funds, although excluded from the government-wide statements, are included in the fund financial statements. Major governmental funds are reported in separate columns in the fund financial statements.

Governmental fund types are used to account for activities primarily supported by taxes, grants, and similar revenue sources.

The Authority reports the following major governmental funds:

General Fund – The General Fund is the main operating fund of the Authority. It accounts for transactions related to resources obtained and used for those services, including FSP, which need not be accounted for in another fund.

Abandoned Vehicle Special Revenue Fund – Reports the vehicle registration fee revenue and related expenditures.

Debt Service Fund – Reports the debt service on the Authority's Measure A Sales Tax Revenue Bonds.

The Authority also reports the following fund type:

Fiduciary Funds – Reports the assets and liabilities for unspent Original Measure A funds as well as New Measure A funds for programs not yet started but held by the Authority in a fiduciary capacity, as Agency Funds. The financial activities of these funds are excluded from the government-wide financial statements but are presented in separate Fiduciary Fund financial statements.

Basis of Accounting: The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses at the time liabilities are incurred, regardless of when the related cash flows take place. The Fiduciary Fund statements do not involve the results of operations and do not use a measurement basis.

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority records revenue sources when earned or when due, provided they are measurable and available within 90-days after the end of the fiscal year. Those revenues susceptible to accrual at both the government-wide and fund level are sales taxes, mitigation fees, vehicle license fees and interest revenue. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Proceeds of governmental long-term debt are reported as other financing sources.

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Certain indirect costs are included in program expenses reported for individual functions and activities.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Authority may fund certain programs with a combination of cost-reimbursement grants and general revenues. Thus, funds included in restricted and unrestricted net position may be available to finance program expenditures. The Authority's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are exchange or exchange-like transactions between functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budgetary Principles: As required under California Public Utility Code Section 180105, the Authority prepares and legally adopts an operating budget each fiscal year. Operating budgets are adopted for the governmental fund types on the modified accrual basis of accounting. Budgetary control and the legal level of control are at the program level. Significant amendments, appropriation transfers between programs and transfers from contingencies must be approved by the Authority's Board.

Restricted Assets: Certain proceeds from long-term debt are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Restricted cash includes the reserve accounts used to report resources set aside to make up potential future deficiencies in the bond's debt service. Restricted cash may also include unspent bond proceeds used to fund projects.

Capital Assets: Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. It is the Authority's policy to capitalize furniture and equipment exceeding \$5,000. The Authority has no capital assets that exceed the capitalization threshold.

Compensated Absences: The Authority compensates employees for unused vacation pay, up to a maximum of 400 hours, upon termination. It also pays one-half of unused sick leave at the time of retirement, up to a maximum of 500 hours pay, or applies any portion of sick leave toward retirement credit. The Authority has accrued sick leave to the extent it is expected to be paid out.

All vacation pay is accrued when earned by the employee in the government-wide financial statements. A liability for these amounts is recorded in the government funds only if they have matured, for example, as a result of employee resignations and retirements and is currently payable. The General Fund is used to liquidate compensated absences.

Long-Term Debt: In the government-wide financial statements, long-term debt is recorded as a liability in the applicable governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premiums or discounts. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts incurred during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability and deferred outflow/inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employee's Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is liquidated by the Authority's General Fund.

Fund Balance Classification:

Net Position - The government-wide financial statement includes the following categories of net position:

1. Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
2. Unrestricted net position – any amount that is not restricted.

Fund Balance - In the fund financial statements, fund balance amounts are reported based on the Authority's constraints on the use of funds.

1. Nonspendable fund balances - are not expected to be converted to cash within the next operating cycle and are typically comprised of prepaid items. As of June 30, 2018, the Authority had no nonspendable fund balances.
2. Restricted fund balances - are subject to external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.
3. Committed fund balances - are subject to constraints imposed by formal action of the Authority's Board which may be altered only by formal action of the Authority's Board consisting of an ordinance or resolution. As of June 30, 2018, the Authority had no committed fund balances.
4. Assigned fund balances - are amounts constrained by the Authority's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Authority's Board or management and may be changed at their discretion. As of June 30, 2018, the Authority had no assigned fund balances.
5. Unassigned - is the residual amount of the General Fund not included in the four classifications described above. In other governmental funds in which expenditures incurred for specific purposes exceeded amounts restricted, committed, or assigned to those purposes, a negative unassigned fund balance is reported. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds. The Authority typically spends resources in the following order when an expenditure is incurred: restricted, committed, assigned, and unassigned.

Insurance: The Authority provides employees with commercial worker's compensation insurance. In addition, the Authority purchases commercial insurance for general liability claims. At June 30, 2018, there were no claims outstanding. There were no reductions in coverage during the year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of Statement No. 75, the Authority's July 1, 2017 governmental activities net position was restated by \$155,807 because of the recognition of the net OPEB liability.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Governmental activities:	
Cash and investments	\$ 35,649,106
Restricted cash and investments	12,279,251
Agency funds:	
Cash and investments	<u>28,095,817</u>
Total cash and investments	<u>\$ 76,024,174</u>

As of June 30, 2018, the Authority's cash and investments consisted of the following:

Deposits:	
Deposits with financial institutions	\$ 1,093,209
Pooled Funds:	
County Treasury	52,870,071
Local Agency Investment Fund	9,781,643
CAMP pool	<u>1,059,009</u>
Total pooled funds	<u>63,710,723</u>
Investments:	
Investments with fiscal agent	
Money market mutual fund (governmental obligations)	6,923,116
U.S. Treasury securities	<u>4,297,126</u>
Total investments	<u>11,220,242</u>
Total cash and investments	<u>\$ 76,024,174</u>

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment Policy: Investments are stated at fair value. California statutes authorize public agencies to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code, Section 53600, and Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. During the year ended June 30, 2018, the Authority's permissible investments included the following instruments:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum % or Amount of the Portfolio</u>
US Treasury Bonds/Notes/Bills	5 years	100%
Bonds issued by local agencies	5 years	80%
Registered State Warrants and Municipal Notes	5 years	80%
Bankers Acceptances	180 days	40%
Commercial Paper	270 days	40%
Negotiable Certificate of Deposit	180 days	30%
CRA Bank Deposit/Certificate of Deposit	1 year	30%
Repurchase Agreements	1 year	30%
Reverse Repurchase Agreements	92 days	20%
Medium Term Corporate Notes	180 days	30%
Shares of Money Market Mutual Fund	90 days	20%
Collateralized Mortgage Obligations	180 days	20%
California Assets Management Program (CAMP)	none	none
County Pool	none	none
LAIF	none	none

Investments Authorized by Debt Agreements: Investment of debt proceeds held by the bond trustee is governed by the provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy. The 2009, 2012, 2014A and 2015A Measure A Sales Tax Revenue Bonds debt agreements contain certain provisions that address interest rate risk and credit risk, but not concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maximum Security</u>	<u>Maximum Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Local Agency Bonds or Obligations	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Bankers Acceptances	1 year	None	None
Commercial Paper	270 days	None	None
Money Market Fund	None	None	None
Certificates of Deposit	None	None	None
Investment Agreements	None	None	None
Repurchase Agreements	None	None	None
Mutual Funds	N/A	None	None
LAIF	N/A	None	None

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment in County Treasury: The Authority's investments in the Sacramento County pooled investment funds are managed by the Sacramento County Treasurer and stated at fair value or amortized cost, which approximates fair value. The total amount invested by all public agencies as of June 30, 2018 was \$4 billion. The Authority's share of the pool is stated at market value in the Authority's financial statement. Sacramento County does not invest in any derivative financial products directly. The Sacramento County Treasury Investment Oversight Committee (Committee) oversees the County's cash and investment pool. The Committee consists of ten members as required by State law. The value of pooled shares that may be withdrawn from the County is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool.

Investment in LAIF: Local Agency Investment Fund (LAIF) is a special fund of the California State Treasury through which local governments may invest idle cash. The total fair value amount invested by all public agencies in LAIF is \$22.54 billion. The fund is managed by the State Treasurer. No amounts are invested in derivative financial products. The Local Investment Advisory Board oversees the LAIF. The Board consists of five members as designated by California State Statute. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements based upon the Authority's pro-rata share of the fair value of the entire pool. There are no restrictions or limitations on withdrawals of Authority funds from LAIF.

Investment in CAMP: California Asset Management Program (CAMP) was created under the provisions of the California Joint Exercise of Powers Act to provide professional investment management services and allows the participants to combine the use of a money market portfolio with an individually managed portfolio. CAMP is governed by a board of seven trustees, all of whom are officials or employees of public agencies. The money market portfolio offers daily liquidity and is rated AAAM by Standard and Poor. To maintain the AAAM rating, the portfolio's weighted average maturity may not exceed 70 days.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2018, the weighted average maturity of the investments contained in LAIF, the County Treasury, CAMP, and mutual money market funds is approximately 193, 309, 35, and 23 days, respectively. The maturity dates of the U.S. Treasury Securities are within 15 months.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Neither LAIF or the County Pool is rated by a nationally recognized statistical rating organization. The Money Market Mutual Fund is rated AAAM by Standard and Poor's. The U.S. Treasury Securities are rated AA+.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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. At June 30, 2018, the carrying amount of the

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Authority's deposits and the balance in financial institutions was \$1,093,209, of which \$250,000 was covered by federal depository insurance and \$843,209 was covered by the pledging financial institution with assets held in a common-pool for the Authority and other governmental agencies.

Fair Value of Financial Instruments: The following methods and assumptions were used by the Authority to estimate the fair value of its financial instruments as of June 30, 2018.

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or a liability.

The fair values of U.S. Treasury Notes and money market funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

The Authority reports the following recurring fair value measurements as of June 30, 2018:

		<u>Fair Value Measurements Using</u>		
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments by fair value level				
Money market mutual fund	\$ 6,923,116	\$ 6,923,116	\$ -	\$ -
U.S. Treasury securities	<u>4,297,126</u>	<u>4,297,126</u>	-	-
Total investments by fair value level	<u>11,220,242</u>	<u>\$ 11,220,242</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value				
County pool	52,870,071			
LAIF	9,781,643			
CAMP pool	<u>1,059,009</u>			
	<u>\$ 74,930,965</u>			

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - PENSION PLAN

General Information About the Plans

Plan Description: All qualified permanent and probationary employees are eligible to participate in the Authority's cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). The Authority has the following cost-sharing rate plans:

- Miscellaneous Plan
- PEPRM Miscellaneous Plan

Benefit provisions under the Plans are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRM Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the 1959 Survivor Benefit level 4, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

<u>Hire Date</u>	Miscellaneous Prior to January 1, <u>2013</u>	PERPA Miscellaneous On or after January 1, <u>2013</u>
Benefit formula (at full retirement)	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	9.539%	6.533%

In addition to the contribution rate above, the Authority was also required to make a payment of \$59,993 towards its unfunded actuarial liability during the fiscal year ended June 30, 2018.

The Miscellaneous Plan is closed to new members that are not already CalPERS participants.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - PENSION PLAN (Continued)

The contributions to the Plan were \$91,285 for the year ended June 30, 2018.

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflow of Resources Related to Pensions: As of June 30, 2018, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,044,537.

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability as of June 30, 2018 is measured as of June 30, 2017 and the total pension liability is determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Authority's proportion of the net pension liability is based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability as of June 30, 2018 and 2017 is as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2018	0.02650%
Proportion - June 30, 2017	0.02615%
Change - Increase (Decrease)	0.00035%

For the year ended June 30, 2018, the Authority recorded pension expense of \$201,734. At June 30, 2018, the Authority reported deferred outflow of resources and deferred inflow of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 91,285	\$ -
Change in employer's proportion and differences between the employer's contribution and the employer's proportionate share of contributions	18,744	(2,707)
Net differences between projected and actual earnings on plan investments	35,839	
Changes in assumption	158,462	(12,083)
Difference between expected and actual experience	1,277	(18,297)
Difference between actual and allocated contributions	-	(16,536)
Total	\$ 305,607	\$ (49,623)

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - PENSION PLAN (Continued)

The \$91,285 reported as deferred outflow of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred inflow and outflow of resources relate to pensions and will be recognized as pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2019	\$ 43,316
2020	88,320
2021	54,340
2022	<u>(21,277)</u>
	<u>\$ 164,699</u>

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for the Plan were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase ⁽¹⁾	Varies
Mortality	Derived using CalPERS
Membership data for all funds	

(1) Depending on age and service.

The underlying mortality assumptions and all other actuarial assumptions used in June 30, 2018 were based on the results of a April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class for the Plan as of the measurement date of June 30, 2017. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11+</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	<u>2.0%</u>	(0.40)%	(.90)%
Total	<u>100.00%</u>		

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 1,566,875
Current Discount Rate	7.15%
Net Pension Liability	\$ 1,044,537
1% Increase	8.15%
Net Pension Liability	\$ 611,928

Pension Plan Fiduciary Net Position: Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 4 – DEFERRED COMPENSATION PLAN

The Authority offers its regular employees a deferred compensation plan under the provisions of Internal Revenue Code (IRC) Section 457. The plan permits these employees to defer a portion of their salary into future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

The Authority has established a separate independent trust which is administered outside the Authority to hold the assets and earnings of its deferred compensation plans for the exclusive benefit of the participants that are not included in the Authority’s financial statements.

NOTE 5 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The Authority’s defined benefit OPEB plan provides OPEB benefit for all permanent full-time employees of the Authority. Benefits are set by the Board and may be amended by the Board. The Plan is a single employer defined benefit OPEB plan administered by the Authority. No assets are accumulated in a trust.

Benefits Provided: The Plan provides healthcare benefits to all permanent full-time employees who retire directly from the Agency, at a minimum age of 52, with a minimum of five years of service. Eligible employees’ surviving spouses are also eligible for benefits. The Authority participates in the Public Employees’ Medical and Hospital Care Act (PEMHCA) provided through the California Public Employees’ Retirement System (CalPERS).

Employees Covered by Benefit Terms: As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	3
Total	4

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation and Measurement date:	June 30, 2017
Actuarial Cost Method:	Entry-Age Normal Cost Method
Actuarial assumptions:	
Inflation	2.75%
Salary increases	3.25%
Discount rate	3.13%
Mortality rate	MP-2016 Mortality
Pre-retirement turnover	Macleod Watts Scale 2017 applied generationally
Healthcare trend rate	Medical 7.5% for 2019, 7% for 2020, 6.5% for 2021, 6% for 2022, 5.5% for 2023, 5% for 2024 and after

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Index rate for tax-exempt general obligations bonds with an average rating of AA/Aa or higher at June 30, 2017 as published by the Federal Reserve.

Mortality information was based on the Society of Actuaries (SOA) MP-2016 Mortality Tables based on the results from of an actuarial experience study for the period 2013 to 2015. The experience study report may be accessed on the SOA website at <https://www.soa.org/research/topics/pension-exp-study-list/>.

Changes in Total OPEB Liability:

	Increase (Decrease) Total OPEB Liability
Balance at July 1, 2017	\$ 157,325
Changes in the year:	
Service cost	11,232
Interest	4,497
Benefit payments	(1,518)
Change of assumptions	<u>(9,257)</u>
Net changes	<u>4,954</u>
Balance at June 30, 2018	<u>\$ 162,279</u>

The changes in assumptions include a change in the discount rate from 2.68% in the prior valuation, to 3.13% in the current valuation. There were no changes between the measurement date and the year ended June 30, 2018 which had a significant effect on the Authority's total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>2.13%</u>	<u>3.13%</u>	<u>4.13%</u>
Net OPEB liability	<u>\$ 184,189</u>	<u>\$ 162,279</u>	<u>\$ 144,631</u>

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	Current Healthcare Cost		
	1% Decrease <u>6.5%</u>	Current Trend Rate <u>7.5%</u>	1% Increase <u>8.5%</u>
Net OPEB liability	<u>\$ 142,264</u>	<u>\$ 162,279</u>	<u>\$ 193,474</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the Authority recognized OPEB expense of \$14,287. At June 30, 2017, the Authority had no deferred outflows or inflows related to the OPEB plan. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB benefits paid subsequent to measurement date	\$ 6,521	-
Changes in assumptions	<u>-</u>	<u>\$ 7,815</u>
Total	<u>\$ 6,521</u>	<u>\$ 7,815</u>

The amount reported as deferred outflows of resources related to benefits paid after the measurement date will be recognized as a reduction of the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2019	\$ (1,442)
2020	(1,442)
2021	(1,442)
2022	(1,442)
2023	(1,442)
Thereafter	<u>(605)</u>
	<u>\$ (7,815)</u>

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - OPERATING LEASES

The Authority leases certain premises under an operating lease through November 30, 2027, at which time the lease expires. The rental rate increases \$100 per month each year of the lease beginning every December 1. In addition, as a condition of the Authority executing this new lease, certain tenant improvements were made by the landlord, the cost of which plus interest \$159,264 is to be repaid as part of the rental payments beginning December 1, 2020 through the remainder of the lease term. Rental expense for the year ended June 30, 2018 was \$19,596.

Future minimum lease payments under operating leases as of June 30, 2018 are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2019	\$ 36,700
2020	37,900
2021	47,416
2022	55,781
2023	59,298
2024-2028	<u>315,169</u>
	<u>\$ 552,264</u>

NOTE 7 – INTERFUND TRANSACTIONS

Interfund transfers from the General Fund to the Debt Service Fund were used to repay principal and interest per the debt agreement in the amount of \$22,520,621.

NOTE 8 – LONG-TERM LIABILITIES

The activity of the Authority's long-term liabilities during the year ended June 30, 2018 are as follows:

	<u>Balance July 1, 2017, restated</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
2009 Series C Bonds	\$ 106,100,000	\$ -	\$ -	\$ 106,100,000	\$ -
Fair Value (Loss) of Interest Rate Swap (2009 Series Bonds)	88,172,331	68,691,577	88,172,331	68,691,577	-
2012 Series Bonds Unamortized Bond Premium (2012 Series Bonds)	49,905,000	-	3,590,000	46,315,000	3,740,000
Series 2014A Bonds	7,613,695	-	755,076	6,858,619	-
Series 2015A Bonds	106,100,000	-	-	106,100,000	-
	<u>106,100,000</u>	<u>-</u>	<u>-</u>	<u>106,100,000</u>	<u>-</u>
Total debt	<u>463,991,026</u>	<u>68,691,577</u>	<u>92,517,407</u>	<u>440,165,196</u>	<u>3,740,000</u>
Compensated absences	98,991	54,244	37,712	115,523	37,700
Net Pension Liability	908,590	135,947	-	1,044,537	-
Net OPEB liability	<u>157,325</u>	<u>15,729</u>	<u>10,775</u>	<u>162,279</u>	<u>-</u>
Total long-term liabilities	<u>\$ 465,155,932</u>	<u>\$ 68,897,497</u>	<u>\$ 92,565,894</u>	<u>\$ 441,487,535</u>	<u>\$ 3,777,700</u>
Amount due within one year				<u>(3,777,700)</u>	
Amount due in more than one year				<u>\$ 437,709,835</u>	

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Long-term debt consists of the following at:

2009C Series Bonds - In October 2009, the Authority issued Measure A Sales Tax Revenue Bonds in the amount of \$106.1 million to finance transportation projects approved by voters in 2004. The bond's variable interest rate is fixed through an interest-rate swap, whereby, the Authority pays a fixed interest rate of 3.736% and in turn, receives a variable interest rate based on 67 percent of the one month London Interbank Offered Rate (LIBOR) which is reset on a weekly basis. Principal payments of \$7.5 million begin in 2029 and increase to \$11.8 million in 2039 when the bonds mature. \$ 106,100,000

2012 Series Bonds - In July 2012, the Authority issued fixed rate Measure A Sales Tax Revenue Bonds in the amount of \$53.4 million to finance transportation projects approved by voters in 2004. The average coupon interest rate is 2.480997%. Principal payments in the amount of \$3.5 million began in 2017 and increase to \$5.7 million in 2028, when the bonds mature. \$ 46,315,000

2014A Series Bonds - In September 2014, the Authority issued Measure A Sales Tax Revenue Refunding Bonds in the amount of \$106.1 million to refund the outstanding series 2009A bonds and finance transportation projects approved by voters in 2004. Interest rate swaps were retained. In the floating-to-fixed rate swap, the Authority pays a fixed interest rate of 3.736% and in turn, receives a variable interest rate based on 67 percent of the one month LIBOR which is reset on a weekly basis. Principal payments range from \$7.4 million in 2029 to \$11.8 million in 2039, when the bonds mature. \$ 106,100,000

2015A Series Bonds - In March 2015, the Authority issued Measure A Sales Tax Revenue Refunding Bonds in the amount of \$106.1 million to refund the outstanding Measure A Sales Tax Revenue Series 2009B bonds and finance transportation projects approved by voters in 2004. Interest rate swaps were retained. In the floating-to-fixed rate swap, the Authority pays a fixed interest rate of 3.666% and in turn, receives a variable interest rate based on 67 percent of the three month LIBOR which is reset on a weekly basis. Principal payments range from \$7.4 million in 2029 to \$11.8 million in 2039, when the bonds mature. \$ 106,100,000

The Authority has pledged all of the future sales tax proceeds to cover all debt service requirements. The total principal and interest remaining on the 2009C, 2012, 2014A, and the 2015A bonds is \$593.9 million. For the current year, the interest paid and total incremental sales tax revenues were \$18.6 million and \$119.2 million respectively.

The 2014A and 2015A Measure A Sales Tax Revenue Refunding Bonds were issued to refund the 2009A and 2009B Measure A Sales Tax Revenue Bonds, respectively. The advance refunding resulted in no differences between the reacquisition price and the net carrying amount of the outstanding debt.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2018, the future annual debt service requirements and net payments on associated hedging derivative instruments on the Authority's 2009C, 2014A, and 2015A Series Bond obligations are detailed in the schedule below. These amounts assume that current interest rates on variable rate bonds will remain the same for their term. As these rates vary, interest payments on variable rate bonds and net payments on the hedging derivatives will vary. Included in the schedule are the future principal and fixed interest obligations on the 2012 Series Bonds.

Fiscal Year Ending June 30,	Principal	Bond Interest	Estimated Derivatives, Net	Hedging Ancillary Fees	Total
2019	\$ 3,740,000	\$ 6,301,622	\$ 8,442,249	\$ 995,388	\$ 19,479,259
2020	3,890,000	6,149,022	8,442,249	997,970	19,479,241
2021	4,050,000	5,990,222	8,442,249	994,951	19,477,422
2022	4,235,000	5,803,347	8,442,249	995,388	19,475,984
2023	4,455,000	5,586,097	8,442,249	995,388	19,478,734
2024 - 2028	25,945,000	24,259,737	42,211,244	4,981,667	97,397,647
2029 - 2033	126,200,000	16,913,208	34,179,616	4,031,801	181,324,626
2034 - 2038	156,700,000	7,634,204	15,429,231	1,821,242	181,584,677
2039	<u>35,400,000</u>	<u>232,301</u>	<u>469,456</u>	<u>55,503</u>	<u>36,157,260</u>
Total	<u>\$ 364,615,000</u>	<u>\$ 78,869,761</u>	<u>\$ 134,500,790</u>	<u>\$ 15,869,297</u>	<u>\$ 593,854,848</u>

Arbitrage: The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with investments of all tax-exempt bond proceeds at an interest yield greater than the interest paid to bondholders. Generally, all interest paid to bond holders can be retroactive if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The Authority's arbitrage liability is currently estimated to be immaterial.

Interest Rate Swaps

Objective of the interest rate swaps and terms - On October 18, 2006, the Authority entered into three forward interest rate swaps for \$106.1 million each in order to hedge the interest rate risk associated with the Series 2009 Measure A Sales Tax Revenue Bonds issued on October 1, 2009, and whose initial interest rate is variable.

Terms - The swap agreement requires that the Authority pay each financial institution semi-annual fixed-rate payments based on an annual rate; the financial institution, in turn, is required to pay the Authority a series of future variable-rate payments equal to 67% of the 1-month or 3-month LIBOR. The notional amounts and maturity dates of the swaps match the principal amounts and the maturity dates of the hedged bonds. The variable-rate coupons of the hedged bonds closely match the Securities Industry and Financial Markets Association (SIFMA) and percentage of LIBOR rates paid monthly. A summary of the terms are as follows:

	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Term Date	Counterparty Credit Rating (1)	Valuation Level
Series 2009C	\$ 106,100,000	October 18, 2006	3.736%	67% USD LIBOR	\$ (23,446,084)	October 1, 2038	Aa3/A+/AA-	Level 2
Series 2014A	\$ 106,100,000	October 18, 2006	3.736%	67% USD LIBOR	\$ (23,448,289)	October 1, 2038	A1/A+/A	Level 2
Series 2015A	\$ 106,100,000	October 18, 2006	3.666%	67% 3 month LIBOR	\$ (21,797,204)	October 1, 2038	Aa3/A+/AA	Level 2
					<u>\$ (68,691,577)</u>			

(1) (Moody's Investor Services, Standard and Poor's Rating Services, and Fitch IBCA, Inc.)

(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Fair value - The swaps had a total fair value of negative \$68.7 million as of June 30, 2018, which is reported as a deferred outflow of resources. The fair values were estimated by an independent third-party based on mid-market levels as of the close of business on June 30, 2018. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of the swaps. The fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

Credit risk - This is the risk that the counterparty will fail to perform under the terms of the agreement. As of June 30, 2018, the Authority was not exposed to credit risk on these swaps because the fair values were negative. However, should interest rates change and the fair values of the swaps become positive, the Authority would be exposed to credit risk in the amount of the swaps' positive fair values. In order to mitigate this risk, the Authority diversified its exposure among three counterparties. The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the credit rating fall below the applicable thresholds. If the Authority's credit rating falls below certain thresholds or is withdrawn, a termination event may result, in which case the Authority could immediately owe (or be owed) the fair market value of the swap.

Basis risk - This is the risk of a mismatch between the variable rate received from the counterparty and the variable rate paid on the variable rate debt that was issued in October 2009. The Authority is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Authority pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the effective fixed rate on the debt will vary. Based on current and historical experience, the payments received under the agreements are expected to approximate the expected bond payments over the life of the swaps.

Termination risk and termination payments - This is the risk that the transaction is terminated in a market dictating a termination payment by the Authority. The Authority can terminate a swap at the fair market value by providing notice to the counterparty, while the counterparty may only terminate the swap upon certain termination events under the terms of the agreement. The Authority or the counterparties may terminate the swap if the other party fails to perform under the terms of the contracts, such as the failure to make swap payments. If the swap is terminated, the expected variable rate bonds would no longer be hedged.

Tax Risk - The swap exposes the Authority to tax risk if a permanent mismatch occurs between the variable-rate received from the swap and the variable-rate paid on the bonds due to tax law changes such that the federal or state tax exemption on municipal debt is eliminated or its value reduced.

(Continued)

NOTE 9 – FUND BALANCES

The Authority's net position and fund balance are restricted for the following purposes:

Measure A Projects – bond proceeds and sales tax revenues restricted by local ordinance for transportation-related projects.

SCTMFP – Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP) funding for road and transit system improvements needed to accommodate projected growth and development.

FSP Program – funds restricted by the program for urban traffic congestion mitigation.

Debt Service – represent debt service reserves required by the related debt covenants.

SAVSA – Sacramento Abandoned Vehicle Service Authority (SAVSA) funds available to fulfill program objectives.

NOTE 10 – GOVERNMENT-WIDE NET POSITION

As of June 30, 2018, the Authority had negative net position of \$320.9 million. Under a typical bond financing arrangement, the public entity issues debt and expends the funds on capital projects that are reported on the statement of net position as capital assets. The capital assets generally offset the bonded debt. However, the Authority issues bonds that pay for assets reported in other jurisdictions' financial statements, resulting in a deficit net position. Therefore, the deficit will continue, but decrease over time as the Authority makes bond principal payments.

NOTE 11 – SUBSEQUENT EVENTS

The Authority's management evaluated its financial statements for the period ending June 30, 2018 for subsequent events through December 4, 2018, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO TRANSPORTATION AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - MISCELLANEOUS PLAN
(UNAUDITED)
For the Year Ended June 30, 2018

	Last 10 years			
	June 30, <u>2018</u>	June 30, <u>2017</u>	June 30, <u>2016</u>	June 30, <u>2015</u>
Proportion of the net pension liability	0.02650%	0.02616%	0.02734%	0.02463%
Proportionate share of the net pension liability	\$ 1,044,537	\$ 908,590	\$ 750,078	\$ 608,865
Covered payroll - measurement period	\$ 451,635	\$ 351,909	\$ 363,473	\$ 366,547
Proportionate share of the net pension liability as a percentage of covered payroll	231.28%	258.19%	206.36%	166.11%
Plan fiduciary net position as a percentage of the total pension liability	72.49%	75.57%	78.40%	79.82%

GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

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

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Changes in assumptions: In 2018, the accounting discount rate was reduced from 7.65% to 7.15%.

SACRAMENTO TRANSPORTATION AUTHORITY
SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN
(UNAUDITED)
For the Year Ended June 30, 2018

Last 10 years

	June 30, <u>2018</u>	June 30, <u>2017</u>	June 30, <u>2016</u>	June 30, <u>2015</u>	June 30, <u>2014</u>
Contractually required contribution (actuarially determined)	\$ 91,285	\$ 89,707	\$ 76,574	\$ 69,181	\$ 63,722
Contributions in relation to the actuarially determined contributions	<u>(91,285)</u>	<u>(89,707)</u>	<u>(76,574)</u>	<u>(69,181)</u>	<u>(63,722)</u>
Contribution deficiency (excess)	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>
Covered payroll - fiscal year	\$ 352,622	\$ 451,635	\$ 351,909	\$ 363,473	\$ 366,547
Contributions as a percentage of covered payroll	25.89%	19.86%	21.76%	19.03%	17.38%

GASB Statement No. 68 was implemented during the year ended June 30, 2015; therefore, only five years are presented.

Net of pension plan investment expenses, includes inflation.

SACRAMENTO TRANSPORTATION AUTHORITY
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
(UNAUDITED)
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 11,232
Interest	4,497
Benefit payments	(1,518)
Change in assumption	<u>(9,257)</u>
Net change in total OPEB liability	<u>4,954</u>
Total OPEB liability - beginning	157,325
Total OPEB liability - ending	<u>\$ 162,279</u>
Covered payroll - measurement period	<u>\$ 348,630</u>
Total OPEB liability as percentage of covered payroll	<u>46.55%</u>

GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

Valuation date:	June 30, 2017
Measurement period - fiscal year ended:	June 30, 2017
Discount Rate:	3.13%

No assets are accumulated in a trust that meets the criteria in GASB Statement 75, paragraph 4, to pay related benefits.

Benefit changes: None since June 30, 2017.

Changes in assumptions: The discount rate used for the Total OPEB liability was 2.68 and 3.13 percent in the June 30, 2016 and 2017 actuarial reports, respectively.

SUPPLEMENTAL INFORMATION

SACRAMENTO TRANSPORTATION AUTHORITY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
City of Sacramento				
Assets:				
Cash and Investments	\$ 14,753,560	\$ 234,502	\$ (5,014,042)	\$ 9,974,020
Interest Receivable	<u>1,566</u>	<u>49,240</u>	<u>(1,566)</u>	<u>49,240</u>
Total Assets	<u>14,755,126</u>	<u>283,742</u>	<u>(5,015,608)</u>	<u>10,023,260</u>
Liabilities:				
Due to other governments	3,418,677	1,436,370	(3,418,677)	1,436,370
Deposits	<u>11,336,449</u>	<u>3,702,418</u>	<u>(6,451,977)</u>	<u>8,586,890</u>
Total Liabilities	<u>14,755,126</u>	<u>5,138,788</u>	<u>(9,870,654)</u>	<u>10,023,260</u>
City of Isleton				
Assets:				
Cash and Investments	439,283	5,133	(444,416)	-
Interest Receivable	<u>2,049</u>	<u>2,375</u>	<u>(2,049)</u>	<u>2,375</u>
Total Assets	<u>441,332</u>	<u>7,508</u>	<u>(446,465)</u>	<u>2,375</u>
Liabilities:				
Deposits	<u>441,332</u>	<u>7,508</u>	<u>(446,465)</u>	<u>2,375</u>
Total Liabilities	<u>441,332</u>	<u>7,508</u>	<u>(446,465)</u>	<u>2,375</u>
City of Citrus Heights				
Assets:				
Cash and Investments	3,298	25	(3,323)	-
Interest Receivable	<u>25</u>	<u>-</u>	<u>(25)</u>	<u>-</u>
Total Assets	<u>3,323</u>	<u>25</u>	<u>(3,348)</u>	<u>-</u>
Liabilities:				
Due to other governments	3,323	-	(3,323)	-
Deposits	<u>-</u>	<u>3,348</u>	<u>(3,348)</u>	<u>-</u>
Total Liabilities	<u>3,323</u>	<u>3,348</u>	<u>(6,671)</u>	<u>-</u>
City of Rancho Cordova				
Assets:				
Cash and Investments	98	86	(184)	-
Interest Receivable	<u>86</u>	<u>-</u>	<u>(86)</u>	<u>-</u>
Total Assets	<u>184</u>	<u>86</u>	<u>(270)</u>	<u>-</u>
Liabilities:				
Deposits	<u>184</u>	<u>-</u>	<u>(184)</u>	<u>-</u>
Total Liabilities	<u>184</u>	<u>-</u>	<u>(184)</u>	<u>-</u>

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2018

Segment	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Neighborhood Shuttle				
Assets:				
Cash and Investments	\$ 8,119,331	\$ 1,095,333	\$ (152,445)	\$ 9,062,219
Interest Receivable	36,005	64,841	(36,005)	64,841
Due From Other Governments	<u>83,333</u>	<u>250,001</u>	<u>(166,667)</u>	<u>166,667</u>
Total Assets	<u>8,238,669</u>	<u>1,410,175</u>	<u>(355,117)</u>	<u>9,293,727</u>
Liabilities:				
Deposits	<u>8,238,669</u>	<u>1,410,175</u>	<u>(355,117)</u>	<u>9,293,727</u>
Total Liabilities	<u>8,238,669</u>	<u>1,410,175</u>	<u>(355,117)</u>	<u>9,293,727</u>
CSTA set aside				
Assets:				
Cash and Investments	7,797,499	1,289,509	(27,430)	9,059,578
Interest Receivable	34,192	63,398	(34,192)	63,398
Due From Other Governments	<u>221,683</u>	<u>192,120</u>	<u>(221,683)</u>	<u>192,120</u>
Total Assets	<u>8,053,374</u>	<u>1,545,027</u>	<u>(283,305)</u>	<u>9,315,096</u>
Liabilities:				
Deposits	<u>8,053,374</u>	<u>1,545,027</u>	<u>(283,305)</u>	<u>9,315,096</u>
Total Liabilities	<u>8,053,374</u>	<u>1,545,027</u>	<u>(283,305)</u>	<u>9,315,096</u>
JPA Connector (Pay Go)				
Assets:				
Cash and Investments	-	262	(262)	-
Interest Receivable	<u>262</u>	<u>-</u>	<u>(262)</u>	<u>-</u>
Total Assets	<u>262</u>	<u>262</u>	<u>(524)</u>	<u>-</u>
Liabilities:				
Deposits	<u>262</u>	<u>-</u>	<u>(262)</u>	<u>-</u>
Total Liabilities	<u>262</u>	<u>-</u>	<u>(262)</u>	<u>-</u>
Total Agency Funds				
Assets:				
Cash and Investments	\$ 31,113,069	\$ 2,624,850	\$ (5,642,102)	\$ 28,095,817
Interest Receivable	74,185	179,854	(74,185)	179,854
Due from other governments	<u>305,016</u>	<u>442,121</u>	<u>(388,350)</u>	<u>358,787</u>
Total Assets	<u>\$ 31,492,270</u>	<u>\$ 3,246,825</u>	<u>\$ (6,104,637)</u>	<u>\$ 28,634,458</u>
Liabilities:				
Due to other governments	\$ 3,422,000	\$ 1,436,370	\$ (3,422,000)	\$ 1,436,370
Deposits	<u>28,070,270</u>	<u>6,668,476</u>	<u>(7,540,658)</u>	<u>27,198,088</u>
Total Liabilities	<u>\$ 31,492,270</u>	<u>\$ 8,104,846</u>	<u>\$ (10,962,658)</u>	<u>\$ 28,634,458</u>

STATISTICAL INFORMATION

SACRAMENTO TRANSPORTATION AUTHORITY
STATISTICAL SECTION

This part of the Sacramento Transportation Authority's comprehensive annual financial report presents detailed information as context for understanding the information in the financial statements, note disclosure, and required supplementary information of the government's overall financial health.

Financial Trends – These schedules contain trend information to help the reader understand how the Authority's financial performance changed over time.

Revenue Capacity – These schedules contain information to help the reader assess the Authority's most significant local revenue source – sales tax.

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other governments.

Operating Information – These schedules contain information about the Authority's operation and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs.

Sources - Unless otherwise noted; the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

SACRAMENTO TRANSPORTATION AUTHORITY
NET POSITION BY COMPONENT
June 30, 2018

Last 10 years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities:										
Restricted:										
Measure A*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,991,554	\$ 23,381,713
Restricted: SCTMFP	-	3,073,658	5,447,348	1,204,207	4,390,110	5,254,385	9,885,863	13,296,991	4,692,718	23,315,012
Restricted: SAVSA	-	-	-	-	-	107,455	121,827	154,549	-	160,919
Restricted: FSP	-	-	-	-	-	-	-	164,338	-	331,181
Restricted: debt service	-	-	-	-	-	-	-	6,362,460	6,588,099	6,923,116
Unrestricted	<u>(143,010,032)</u>	<u>(197,736,342)</u>	<u>(246,561,887)</u>	<u>(269,290,732)</u>	<u>(283,641,409)</u>	<u>(294,193,790)</u>	<u>(309,078,758)</u>	<u>(365,923,547)</u>	<u>(379,947,580)</u>	<u>(374,969,271)</u>
Total governmental activities net position	<u>\$ (143,010,032)</u>	<u>\$ (194,662,684)</u>	<u>\$ (241,114,539)</u>	<u>\$ (268,086,525)</u>	<u>\$ (279,251,299)</u>	<u>\$ (288,831,950)</u>	<u>\$ (299,071,068)</u>	<u>\$ (345,945,209)</u>	<u>\$ (325,675,209)</u>	<u>\$ (320,857,330)</u>

* Amounts for Measure A prior to 2017 were reported as unrestricted.

SACRAMENTO TRANSPORTATION AUTHORITY
CHANGES IN NET POSITION
June 30, 2018

Last 10 years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses:										
Governmental activities:										
Measure A	\$ 124,301,814	\$ 126,262,982	\$ 120,337,680	\$ 107,891,760	\$ 94,224,572	\$ 94,743,971	\$ 103,968,271	\$ 112,324,300	\$ 92,332,335	\$ 105,146,632
SCTMFP*	-	-	-	-	-	2,680,549	6,676	1,004,034	16,547,233	2,126,292
FSP	1,770,438	1,836,329	1,880,030	1,729,539	1,765,562	2,164,149	2,090,267	2,000,559	2,271,606	2,126,051
SAVSA	1,092,942	1,057,666	1,376,979	1,079,593	1,089,746	1,125,637	1,172,574	1,216,517	1,400,871	1,118,297
Administration**	-	-	-	-	-	-	713,350	1,387,221	979,254	633,150
Interest on long-term debt	7,581,219	10,555,136	16,245,290	15,119,256	16,257,749	16,196,388	15,538,373	15,208,203	16,227,155	17,662,386
Total governmental activities expenses	<u>134,746,413</u>	<u>139,712,114</u>	<u>139,839,979</u>	<u>125,820,148</u>	<u>113,337,629</u>	<u>116,910,694</u>	<u>123,489,511</u>	<u>133,140,834</u>	<u>129,758,454</u>	<u>128,812,808</u>
Program revenues:										
Operating grants and contributions	<u>2,964,590</u>	<u>6,008,096</u>	<u>5,327,190</u>	<u>5,966,229</u>	<u>6,221,395</u>	<u>6,835,898</u>	<u>7,895,612</u>	<u>7,628,294</u>	<u>11,196,129</u>	<u>11,396,632</u>
Net (expense) revenue	<u>(131,781,823)</u>	<u>(133,704,017)</u>	<u>(134,512,789)</u>	<u>(119,853,919)</u>	<u>(107,116,234)</u>	<u>(110,074,796)</u>	<u>(115,593,899)</u>	<u>(125,512,540)</u>	<u>(118,562,325)</u>	<u>(117,416,176)</u>
General revenues and other changes in net position:										
Sales taxes	89,395,168	81,413,982	87,299,421	92,239,996	97,390,177	100,063,237	105,564,247	110,707,633	116,877,996	119,187,748
Investment earnings	<u>966,249</u>	<u>637,384</u>	<u>761,514</u>	<u>641,940</u>	<u>662,384</u>	<u>430,908</u>	<u>556,829</u>	<u>956,364</u>	<u>1,954,329</u>	<u>3,202,114</u>
Total general revenues	<u>90,361,417</u>	<u>82,051,366</u>	<u>88,060,935</u>	<u>92,881,936</u>	<u>98,052,561</u>	<u>100,494,145</u>	<u>106,121,076</u>	<u>111,663,997</u>	<u>118,832,325</u>	<u>122,389,862</u>
Change in net position	<u>\$ (41,420,406)</u>	<u>\$ (51,652,651)</u>	<u>\$ (46,451,854)</u>	<u>\$ (26,971,983)</u>	<u>\$ (9,063,673)</u>	<u>\$ (9,580,651)</u>	<u>\$ (9,472,823)</u>	<u>\$ (13,848,543)</u>	<u>\$ 270,000</u>	<u>\$ 4,973,686</u>

* Amounts for SCTMFP expenses prior to 2014 are included in Measure A.

** Amounts for administration expenses prior to 2015 are included in Measure A.

SACRAMENTO TRANSPORTATION AUTHORITY
 FUND BALANCES OF GOVERNMENTAL FUNDS
 June 30, 2018

Last 10 years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ 10,027	\$ 10,027	\$ 10,027	\$ 10,027	\$ 10,027	\$ 10,027	\$ 4,763	\$ -
Restricted	39,077,280	119,756,036	73,188,759	46,521,997	101,338,670	91,591,253	81,243,264	51,973,251	47,684,272	47,027,906
Unassigned	-	-	589,073	600,000	740,000	427,430	329,381	(195,546)	(38,522)	664,031
Total general fund	<u>39,077,280</u>	<u>119,756,036</u>	<u>73,787,859</u>	<u>47,132,024</u>	<u>102,088,697</u>	<u>92,028,710</u>	<u>81,582,672</u>	<u>51,787,732</u>	<u>47,650,513</u>	<u>47,691,937</u>
Other Governmental Funds										
Restricted	<u>4,734,070</u>	<u>4,501,393</u>	<u>4,137,869</u>	<u>3,860,118</u>	<u>4,439,725</u>	<u>4,232,983</u>	<u>4,352,188</u>	<u>6,517,009</u>	<u>6,588,099</u>	<u>7,084,035</u>
Total all other governmental funds	<u>4,734,070</u>	<u>4,501,393</u>	<u>4,137,869</u>	<u>3,860,118</u>	<u>4,439,725</u>	<u>4,232,983</u>	<u>4,352,188</u>	<u>6,517,009</u>	<u>6,588,099</u>	<u>7,084,035</u>
Total Governmental Funds	<u>\$ 43,811,350</u>	<u>\$ 124,257,429</u>	<u>\$ 77,925,728</u>	<u>\$ 50,992,142</u>	<u>\$ 106,528,422</u>	<u>\$ 96,261,693</u>	<u>\$ 85,934,860</u>	<u>\$ 58,304,741</u>	<u>\$ 54,238,612</u>	<u>\$ 54,775,972</u>

SACRAMENTO TRANSPORTATION AUTHORITY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
June 30, 2018

Last 10 years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues:										
Taxes	\$ 89,395,168	\$ 81,413,982	\$ 87,299,421	\$ 92,239,996	\$ 97,390,177	\$ 100,063,237	\$ 105,564,247	\$ 110,707,633	\$ 116,877,996	\$ 119,187,748
Mitigation Fees	-	3,073,658	2,334,437	2,957,362	3,176,382	3,540,542	4,624,139	4,363,650	7,848,175	7,621,753
Vehicle registration fees	1,132,447	1,106,169	1,070,911	1,166,769	1,130,254	1,172,833	1,220,900	1,272,697	1,282,433	1,275,901
State grant	1,708,377	1,694,962	1,828,358	1,842,098	1,914,759	2,122,523	2,050,573	1,991,947	2,065,521	2,498,978
Use of money and										
Property	966,250	637,426	761,415	641,940	660,928	430,196	555,414	941,859	1,795,119	3,081,259
Miscellaneous	123,766	133,264	93,583	-	1,452	712	1,415	14,505	159,210	120,855
Total Revenues	93,326,008	88,059,461	93,388,125	98,848,165	104,273,952	107,330,043	114,016,688	119,292,291	130,028,454	133,786,494
Expenditures:										
General government:										
Administrative*	643,936	599,424	542,380	658,391	745,552	1,008,517	805,331	1,342,300	977,515	542,737
Freeway service patrol*	1,770,437	1,836,329	1,880,031	1,729,539	1,765,562	2,164,149	2,090,267	2,000,559	2,271,606	2,126,051
Intergovernmental*	123,979,282	126,524,494	121,087,058	108,225,941	94,103,672	97,543,286	104,405,460	114,537,093	110,280,439	108,346,886
Debt Service:										
Principal	-	-	-	-	-	-	-	-	3,450,000	3,590,000
Interest and other charges	7,846,244	14,633,134	16,210,359	15,167,878	16,804,043	16,880,820	17,042,463	16,016,860	17,115,023	18,643,460
Total expenditures	134,239,899	143,593,381	139,719,828	125,781,749	113,418,829	117,596,772	124,343,521	133,896,812	134,094,583	133,249,134
Excess (deficiency) of expenditures over (under) revenue	(40,913,891)	(55,533,921)	(46,331,703)	(26,933,584)	(9,144,877)	(10,266,729)	(10,326,833)	(14,604,521)	(4,066,129)	537,360
Other financing sources (uses):										
Transfers in	589,465	12,031,436	16,215,856	14,869,554	16,950,657	16,694,009	16,439,131	18,182,376	20,823,804	22,520,621
Transfers out	(589,465)	(12,031,436)	(16,215,856)	(14,869,554)	(16,950,657)	(16,694,009)	(16,439,131)	(18,182,376)	(20,823,804)	(22,520,621)
Refunding of Bonds	-	(182,320,000)	-	-	-	-	(212,200,000)	-	-	-
Bond premium	-	-	-	-	11,326,155	-	-	-	-	-
Issuance of Bonds	-	318,300,000	-	-	53,355,000	-	212,200,000	-	-	-
Total other financing sources (uses)	-	135,980,000	-	-	64,681,155	-	-	-	-	-
Net change in fund balances	\$ (40,913,891)	\$ 80,446,079	\$ (46,331,703)	\$ (26,933,584)	\$ 55,536,278	\$ (10,266,729)	\$ (10,326,833)	\$ (14,604,521)	\$ (4,066,129)	\$ 537,360
Debt Service as a percentage of noncapital expenditures	6.21%	11.35%	13.12%	13.71%	17.39%	16.76%	15.88%	13.59%	18.11%	20.03%

*noncapital expenditures

SACRAMENTO TRANSPORTATION AUTHORITY
REVENUE CAPACITY - REVENUE BASE AND REVENUE RATE
June 30, 2018

Last 10 Years

<u>Fiscal Year</u>	<u>Sales Tax Rate</u>	<u>Total Sales Tax Revenue (in thousands)</u>	<u>Total Taxable Sales* (in thousands)</u>
2018	0.5%	\$ 119,188	\$ 23,837,550
2017	0.5%	116,878	23,375,600
2016	0.5%	110,708	23,184,499
2015	0.5%	105,564	22,043,196
2014	0.5%	100,063	21,061,901
2013	0.5%	97,390	20,097,095
2012	0.5%	92,240	19,089,848
2011	0.5%	87,299	18,003,765
2010	0.5%	81,414	16,904,528
2009	0.5%	89,395	16,563,853

Source: Board of Equalization

* Fiscal Years 2017 and 2018 are estimated - actuals not available.

SACRAMENTO TRANSPORTATION AUTHORITY
REVENUE CAPACITY - PRINCIPAL REVENUE PAYERS
Calendar Years 2016 and 2008

	2016*			2008		
	Rank	Amount (in thousands)	Percentage of Taxable Sales	Rank	Amount (in thousands)	Percentage of Taxable Sales
All Other Outlets	1	\$ 7,167,643	30.9%	1	\$ 6,358,311	32.9%
Motor Vehicle and Parts Dealers	2	3,528,648	15.3%	4	1,949,153	10.1%
Food Services and Drinking Places	3	2,437,820	10.5%	6	1,713,915	8.8%
General Merchandise Stores	4	2,018,904	8.7%	2	2,301,556	11.9%
Other Retail Group	5	1,932,719	8.3%	3	2,155,812	11.1%
Gasoline Stations	6	1,452,889	6.3%	5	1,724,117	8.9%
Building Material and Garden Equipment and Supplies Dealers	7	1,432,809	6.2%	7	1,036,318	5.4%
Home Furnishings and Appliance Stores	8	1,190,152	5.1%	10	577,869	3.0%
Clothing and Clothing Accessories Stores	9	1,021,647	4.4%	9	673,787	3.5%
Food and Beverage Stores	10	<u>1,001,268</u>	<u>4.3%</u>	8	<u>841,011</u>	<u>4.4%</u>
Total All Outlets		<u>\$ 23,184,499</u>	<u>100.0%</u>		<u>\$ 19,331,849</u>	<u>100.0%</u>

Source: Board of Equalization

*Latest information available

SACRAMENTO TRANSPORTATION AUTHORITY
 PRINCIPAL EMPLOYERS
 June 30, 2017 and 2008

	2017*			2008		
	<u>Rank</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>	<u>Rank</u>	<u>Amount</u>	<u>Percentage of Total County Employment</u>
UC Davis Health System	1	10,145	1.54%	5	6,404	0.98%
Sutter/California Health Services	2	8,905	1.35%	1	10,405	1.59%
Kaiser Permanente	3	8,885	1.35%	2	9,319	1.43%
Dignity/Mercy Healthcare	4	7,853	1.19%	6	5,119	0.78%
Intel Corporation	5	6,000	0.91%	4	7,000	1.07%
Apple Inc.	6	4,000	0.61%			
Raley's Inc/Belair	7	3,149	0.48%	3	7,565	1.16%
VSP Global	8	2,906	0.44%			
Health Net of California Inc.	9	2,706	0.41%			
Wells Fargo & Co.	10	2,015	0.31%	10	3,167	0.48%
AT&T California				7	4,828	0.74%
Hewlett Packard				8	3,800	0.58%
Target Corporations				9	3,482	0.53%
Total		<u>56,564</u>	<u>8.59%</u>		<u>61,089</u>	<u>9.34%</u>

Source: Sacramento County June 30, 2017 Comprehensive Annual Financial Report

*Latest information available

SACRAMENTO TRANSPORTATION AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
June 30, 2018

Last 10 Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2017*	1,514,460	72,878,458	48,122	5.4%
2016	1,496,644	70,110,138	46,845	6.0%
2015	1,478,137	65,486,553	44,303	7.3%
2014	1,460,023	61,654,690	42,229	8.9%
2013	1,447,236	59,775,785	41,303	10.5%
2012	1,435,002	57,498,308	40,068	12.1%
2011	1,422,018	54,666,004	38,443	12.6%
2010	1,408,601	53,826,177	38,213	11.0%
2009	1,394,438	54,773,648	39,280	7.2%
2008	1,381,161	52,721,398	38,172	5.4%

Sources: Bureau of Economic Analysis and California Employment Development Department.

* Latest information available.

SACRAMENTO TRANSPORTATION AUTHORITY
OPERATING INFORMATION - EMPLOYEES
June 30, 2018

Last 10 Years

<u>Activity</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Measure A/SAVSA	1.95	2.95	2.65	2.6	2.6	2.45	2.45	2.45	2.45	2.45
Freeway Service Patrol	1.05	1.05	1.15	1.2	1.2	1.35	1.35	1.35	1.35	1.35

Source - Adopted Budget

SACRAMENTO TRANSPORTATION AUTHORITY
 OPERATING INFORMATION - DEMAND FOR SERVICES
 MEASURE A - BY JURISDICTION
 June 30, 2018

Last 10 years

Jurisdiction	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
City of Citrus Heights	\$ 2,347,539	\$ 2,302,514	\$ 2,152,319	\$ 2,071,744	\$ 1,985,463	\$ 1,891,987	\$ 1,802,800	\$ 1,726,097	\$ 1,655,413	\$ 3,066,507
County of Sacramento	17,951,156	17,620,170	16,530,072	15,862,799	15,134,616	14,424,979	13,742,240	12,975,067	12,455,087	19,803,338
CTSA Set Aside*	1,168,157	1,146,027	1,069,997	1,027,592	983,258	938,205	895,220	838,903	802,263	-
City of Elk Grove	4,780,559	4,739,611	4,318,918	4,135,491	3,927,291	3,706,060	3,523,059	3,103,271	2,927,716	4,803,891
City of Folsom	2,335,123	2,294,486	2,105,522	2,018,853	1,978,191	1,905,848	1,816,009	1,667,429	1,627,374	3,962,307
City of Galt	1,191,381	1,168,176	1,091,347	1,048,496	1,003,696	958,170	914,734	857,824	820,800	1,312,785
City of Isleton	47,656	46,727	43,654	41,940	40,150	38,327	36,592	34,313	32,835	45,589
Neighborhood Shuttle*	1,083,334	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-
Paratransit	4,088,549	4,011,094	3,744,989	3,596,572	3,441,403	3,283,718	3,133,270	2,936,161	2,807,922	1,467,435
Sacramento Regional Parks*	1,083,334	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-
City of Rancho Cordova	2,239,524	2,201,648	2,013,909	1,922,210	1,803,645	1,711,239	1,627,805	1,401,876	1,321,950	2,081,152
Regional Transit	40,301,412	39,537,925	36,914,890	35,451,925	33,922,401	32,368,073	30,885,085	28,942,154	27,678,086	25,680,118
City of Sacramento	13,652,724	13,390,589	12,539,139	12,037,403	11,534,598	11,011,678	10,506,441	10,004,574	9,498,469	16,469,321
SMAQMD	1,752,235	1,719,040	1,604,995	1,541,388	1,474,887	1,407,308	1,342,830	1,258,355	1,203,395	1,210,653
Debt Service*	22,233,460	20,565,023	22,202,434	21,322,534	20,402,604	19,467,754	18,575,812	17,407,237	16,646,965	-
Administration*	1,033,547	899,939	802,498	770,694	737,444	703,654	671,415	629,177	601,698	-
Total allocations	\$ 117,289,690	\$ 113,642,969	\$ 109,134,683	\$ 104,849,641	\$ 100,369,647	\$ 95,817,000	\$ 91,473,312	\$ 85,782,438	\$ 82,079,973	\$ 79,903,096

Source: Authority accounting records

* New Measure A program began in FY 2010

SACRAMENTO TRANSPORTATION AUTHORITY
RATIOS OF OUTSTANDING DEBT
June 30, 2018

Last 10 Years

<u>Fiscal Year</u>	<u>Sales Tax Revenue Bonds</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
2017*	\$ 375,818,695	0.5%	250
2016	380,023,772	0.5%	253
2015	380,778,849	0.6%	257
2014	381,533,926	0.6%	260
2013	382,289,003	0.6%	264
2012	318,300,000	0.5%	222
2011	318,300,000	0.6%	224
2010	318,300,000	0.6%	226
2009	182,320,000	0.3%	131
2008	182,320,000	0.3%	132

Source: Bureau of Economic Analysis

* Latest information available.

SACRAMENTO TRANSPORTATION AUTHORITY
OPERATING INFORMATION - ABANDONED VEHICLE ABATEMENTS
June 30, 2018

Last 10 Years

<u>Fiscal Year</u>	<u>Abatements</u>
2018	14,670
2017	13,019
2016	8,586
2015	5,037
2014	5,247
2013	6,222
2012	6,239
2011	7,334
2010	8,718
2009	11,575

Source: Authority records

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

To the Board of Directors
Sacramento Transportation Authority
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Transportation Authority (Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose



Crowe LLP

Sacramento, California
December 4, 2018

