



Sacramento Transportation Authority

2019

**Comprehensive
Annual Financial Report**

For the fiscal year ended June 30, 2019

Prepared by STA Staff • Sacramento, CA

www.sacta.org



Sacramento Transportation Authority

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December 20, 2019

**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, 2019.

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, 2019. 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 complements 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 Authority 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 general 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 a uniform transportation mitigation fee 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 Measure A programs, the Board administers the Sacramento Metropolitan (SacMetro) 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 currently allows counties to impose a \$1 surcharge on vehicle registrations to help 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 a local ordinance which establishes procedures for the abatement, removal, and disposal of abandoned vehicles.

SacMetro FSP was established in 1992 through a Memorandum of Understanding (MOU) with the California Department of Transportation (Caltrans), California Highway Patrol (CHP) and the Authority. Additionally, in 2009 the Authority assumed responsibility for administering FSP for Yolo County. Funding for the program is through the State Highway Fund and local match funds from the Capitol Valley Regional Service Authority for Freeways & Expressways (CVR-SAFE). The program consists of a system of roving tow trucks deployed at peak traffic times to assist motorists with stalled vehicles and remove related hazards from the roadway. This reduces 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 June 2019, the unemployment rate was 3.7% which is equivalent to the national rate but less than the statewide rate of 4.1%. By October 2019, the unemployment rate in Sacramento County decreased to 3% in comparison to 3.5% nationally and 4% statewide. Residential and commercial construction activity continues to drive the local economy since Sacramento is generally more affordable to live in than many neighboring counties. The population in Sacramento County is more than 1.5 million with an annual growth rate of 1

percent. 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 lower than the estimates in the voter-approved Ordinance by about \$700 million - \$4.04 billion versus \$4.74 billion respectively.

Regardless of future economic conditions, the Authority faces formidable ongoing challenges in terms of providing needed infrastructure funding to support a growing population and 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. Regularly projecting and updating revenues and 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 source.
- Received the Government Finance Officers Association of the United States and Canada (GFOA) Distinguished Budget Presentation Award. 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.

- Built trusting relationships with our partner agencies by keeping clear channels of communication open through sharing information early and often.
- Supported the Independent Taxpayer Oversight Committee (ITOC) as it completed its first ever performance audit.
- Implemented the Consumnes River Permanent Open Space Preserve program and provided \$5 million in initial funding.
- Affirmed AA+ credit rating with Standard & Poor's and Fitch.

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 GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for the fiscal year ended June 30, 2018. This was the 24th 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 Generally Accepted Accounting Principles (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, 2019

BOARD MEMBERS

PATRICK KENNEDY, County of Sacramento
PHIL SERNA, County of Sacramento
SUSAN PETERS, County of Sacramento (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
JAY SCHENIRER, City of Sacramento
STEVE MILLER, City of Citrus Heights
DARREN SUEN, City of Elk Grove (Vice Chair)
PATRICK HUME, City of Elk Grove
RICH LOZANO, City of Galt and Isleton
GARRETT GATEWOOD, City of Rancho Cordova

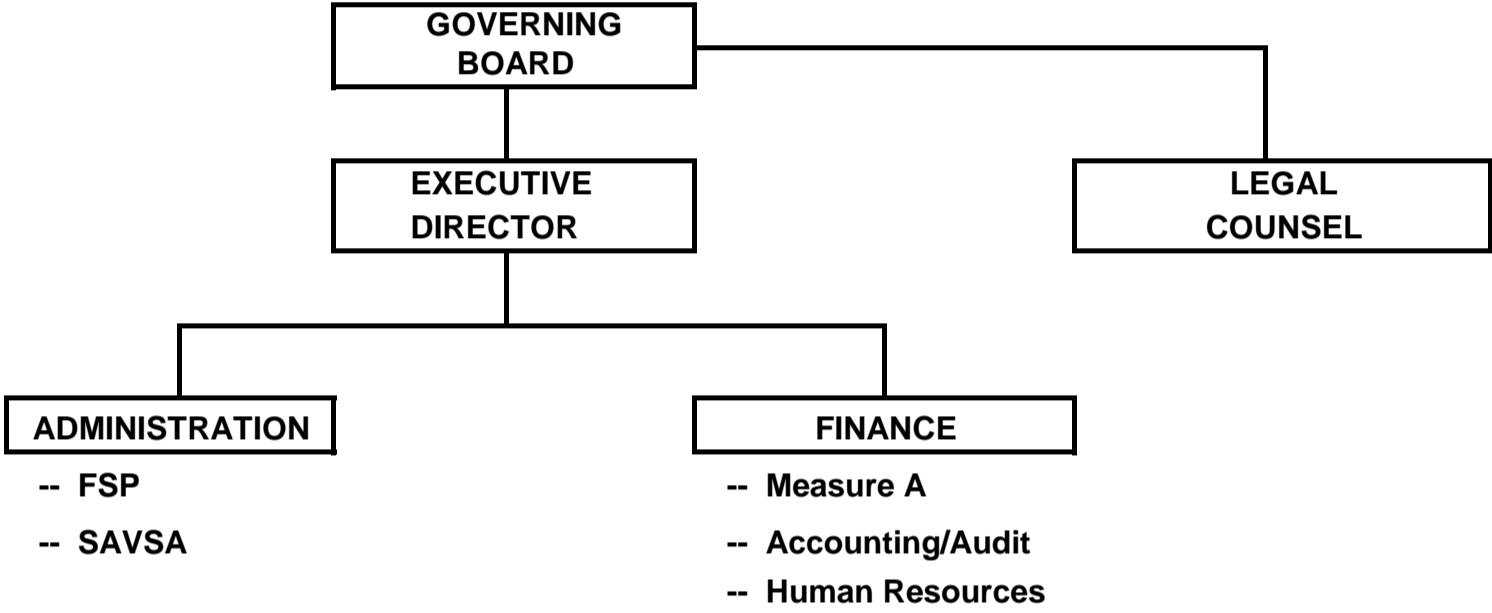
Alternates

NICK AVDIS, County of Sacramento
PAUL SANDHU, City of Galt and Isleton
PORSCHE MIDDLETON, City of Citrus Heights
MIKE KOZLOWSKI, 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, 2019
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, 2018

Christopher P. Morill

Executive Director/CEO

SACRAMENTO TRANSPORTATION AUTHORITY
SACRAMENTO, CALIFORNIA

FINANCIAL STATEMENTS
JUNE 30, 2019

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SACRAMENTO TRANSPORTATION AUTHORITY
SACRAMENTO, CALIFORNIA

FINANCIAL STATEMENTS
JUNE 30, 2019

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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, 2019 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, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Abandoned Vehicle Special Revenue Fund and Debt Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 11, 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.

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 20, 2019 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 20, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

**SACRAMENTO TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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, 2019. 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 \$131.8 million from \$119.2 million (10.5%) over the prior year; however, roughly \$2.4 million was fiscal year (FY) 2017-2018 revenue remitted during FY 2018-2019 because of an issue at the California Department of Tax and Fee Administration (CDTFA). CDTFA changed its internal processes and implemented a new revenue tracking system, which delayed processing fourth quarter FY 2017-18 sales tax returns. CDTFA was unable to approximate how much revenue would be delayed, so Authority staff did not accrue the additional revenue to FY 2017-18.
- Expenses increased to \$138.6 million from \$130.1 million in the prior year. The increase is attributed to increased monthly allocations representing a ratio of the total revenue – when revenue increases, the monthly allocations increase accordingly. Interest on long-term debt increased about \$1 million over the prior year \$23.2 versus \$22.2 million respectively.
- Net position is a negative \$310.6 million (deficit). The deficit decreased by \$10.2 million (3.2%) when compared to the prior year, in part, because the Authority paid down \$3.7 million in principal 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 serve 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 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 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 and mitigation fee revenues. The governmental activities of the Authority include Measure A formulaic allocations, capital program costs, Sacramento Metropolitan (SacMetro) Freeway Service Patrol (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 \$28.2 million (40.9%) increase in *deferred outflows of resources* mainly related to the change in fair value of the Authority's interest rate hedging derivatives. Annually, an independent third party estimates the fair market value to exit the three forward interest rate swaps to hedge the variable interest rate risk associated with the Series 2009A, 2014A, and 2015A Measure A sales tax revenue bonds. During the past fiscal year interest rates have been decreasing, which increases the difference between the variable and fixed interest rates and in turn increases the fair value of the hedging derivatives.

- Current and other assets and current liabilities increased by \$7.4 million (10.2%) and \$1.8 million (7.2%) respectively. Current assets increased because capital program costs were less than the sales tax revenue allocations set aside to pay for them. Current liabilities increased because sales tax revenue was higher in FY 2018-19 than FY 2017-18. Most of the sales tax revenue is passed through to partner agencies using ratios established in law. Therefore, as revenue increases so do the pass through amounts, including year-end accruals.
- Non-current liabilities increased a total of \$23.5 million (5.4%). The change was driven by the increased value of the hedging derivatives, offset by a reduction in principal for the Series 2012 bonds in the amount of \$3.7 million. Unamortized bond premium was reduced by about \$750,000.
- Net position for the Measure A program increased \$5.4 million (11.6%) because capital program costs were lower than expected.

- The net position for the other programs – administration and FSP – increased \$63,000 (12.9%) primarily because administration costs were reduced to increase the administration fund’s reserve balance.

| SACRAMENTO TRANSPORTATION AUTHORITY | | | | |
|--|-------------------------|-------------------------|------------------------|--------------|
| STATEMENT OF NET POSITION | | | | |
| | 2019 | 2018 | Increase or (Decrease) | |
| | | | Dollar | Percent |
| Current and Other Assets | \$ 80,012,767 | \$ 72,590,730 | \$ 7,422,037 | 10.2% |
| Total assets | <u>80,012,767</u> | <u>72,590,730</u> | <u>7,422,037</u> | <u>10.2%</u> |
| Deferred outflows of resources | 97,227,588 | 69,003,706 | 28,223,882 | 40.9% |
| Current Liabilities | 26,461,118 | 24,684,493 | 1,776,625 | 7.2% |
| Non -Current Liabilities | 461,270,572 | 437,709,835 | 23,560,737 | 5.4% |
| Total liabilities | <u>487,731,690</u> | <u>462,394,328</u> | <u>25,337,362</u> | <u>5.5%</u> |
| Deferred inflows of resources | 94,983 | 57,438 | 37,545 | 65.4% |
| Net position | | | | |
| Restricted for Measure A | 52,136,617 | 46,696,725 | 5,439,892 | 11.6% |
| Restricted for debt service | 6,919,991 | 6,923,116 | (3,125) | (0.0%) |
| Restricted for Other | 555,686 | 492,100 | 63,586 | 12.9% |
| Unrestricted | <u>(370,198,612)</u> | <u>(374,969,271)</u> | <u>4,770,659</u> | <u>1.3%</u> |
| Total net position (deficit) | <u>\$ (310,586,318)</u> | <u>\$ (320,857,330)</u> | <u>\$ 10,271,012</u> | <u>3.2%</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 an increase of \$15.2 million (12.4%) in general revenue which includes sales tax and interest income. The sales tax increase of \$12.6 million was previously explained in the financial highlights section of this report. Interest income increased by \$2.6 million because interest from the Authority’s swap derivatives increased. The remaining variances are explained by the following:

- Measure A expenditures increased by \$7.4 million (6.9%) since revenue was higher. As explained previously, pass-through allocations (expenditures) increase proportional to the revenue.
- SAVSA expenditures increased by \$198,000 (17.7%) because of increased countywide compliance with vehicle abatement laws.

| SACRAMENTO TRANSPORTATION AUTHORITY | | | | |
|--|------------------------|------------------------|------------------------|--------------|
| STATEMENT OF ACTIVITIES | | | | |
| | 2019 | 2018 | Increase or (Decrease) | |
| | | | Dollar | Percent |
| Revenue | | | | |
| Program Revenue | \$ 10,044,457 | \$ 11,396,632 | \$ (1,352,175) | (11.9%) |
| General Revenue | 137,541,884 | 122,389,862 | 15,152,022 | 12.4% |
| Total revenues | <u>147,586,341</u> | <u>133,786,494</u> | <u>13,799,847</u> | <u>10.3%</u> |
| Expenses | | | | |
| Measure A | 114,627,986 | 107,272,924 | 7,355,062 | 6.9% |
| Debt Service | 18,570,877 | 17,662,386 | 908,491 | 5.1% |
| SAVSA | 1,316,666 | 1,118,297 | 198,369 | 17.7% |
| Other | 2,799,800 | 2,759,201 | 40,599 | 1.5% |
| Total expenses | <u>137,315,329</u> | <u>128,812,808</u> | <u>8,502,521</u> | <u>6.6%</u> |
| Change in net position | 10,271,012 | 4,973,686 | 5,297,326 | 106.5% |
| Net position (deficit) - beginning | (320,857,330) | (325,675,209) | 4,817,879 | 1.5% |
| Restatement of beginning net position | - | (155,807) | 155,807 | (100.0%) |
| Net position (deficit) - ending | <u>\$(310,586,318)</u> | <u>\$(320,857,330)</u> | <u>\$ 10,271,012</u> | <u>3.2%</u> |

Because of the variances explained above, the Authority's deficit net position decreased by \$10.3 million. This trend is expected to continue since the Authority does not plan to issue any more debt.

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, 2019, the Authority's governmental funds reported combined fund balances of \$60.5 million, a \$5.7 million (10.4%) increase from the prior year balance of \$54.8 million.

| SACRAMENTO TRANSPORTATION AUTHORITY | | | | |
|--|-------------------|-------------------|------------------------|--------------|
| FUND BALANCE | | | | |
| | 2019 | 2018 | Increase or (Decrease) | |
| | | | Dollar | Percent |
| General Fund | 53,386,707 | 47,691,937 | 5,694,770 | 11.9% |
| SAVSA* | 167,490 | 160,919 | 6,571 | 4.1% |
| Debt Service | 6,919,991 | 6,923,116 | (3,125) | (0.0%) |
| Total | <u>60,474,188</u> | <u>54,775,972</u> | <u>5,698,216</u> | <u>10.4%</u> |

* Sacramento Abandoned Vehicle Service Authority

All fund balances are restricted for specific purposes with exception of the amount available in the general fund for program administration - \$861,894 as of June 30, 2019. The general fund balance will decrease in FY 2019-20 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 SacMetro FSP. The general fund ended the year with a fund balance of \$53.4 million, or \$5.7 million (11.9%) more than the prior year.

- Cash and investments increased \$5.5 million (15.6%) because revenue for the capital program in excess of debt service costs was higher than reimbursable capital project claims.
- Interest receivable increased \$275,000 (124.3%) because the year-end accruals for interest rate swap revenue were higher than the prior year.
- Due from other governments increased \$1.4 million (6.0%) because sales tax revenue accruals for the fourth quarter were \$2.3 million higher offset by decreased accruals for the SCTMFP of \$900,000.
- Accounts payable increased \$16,000 (14.5%) because of accrued payments to consultants.
- Due to Other Governments increased by \$1.6 million (9.1%). Capital program expenditures at year-end were \$1 million higher than the prior year and sales tax revenue was higher than the prior year so allocations (expenditures) to partner agencies accrued at year-end were \$633,000 higher.
- Due from other funds decreased because most administration cost allocation charges were paid before year end.
- Measure A fund balance increased \$7.7 million (32.8%) because sales tax allocations restricted to the capital program exceeded capital expenditures.
- SCTMFP fund balance decreased \$2.2 million (9.6%) because more capital program expenditures were paid from this fund than in the prior year.

| SACRAMENTO TRANSPORTATION AUTHORITY | | | | |
|--|----------------------|----------------------|------------------------|--------------|
| BALANCE SHEET - GENERAL FUND | | | | |
| | 2019 | 2018 | Increase or (Decrease) | |
| | | | Dollar | Percent |
| Assets | | | | |
| Cash and Investments | \$40,977,508 | \$35,458,361 | 5,519,147 | 15.6% |
| Interest Receivable | 497,355 | 221,733 | 275,622 | 124.3% |
| Due From Other Governments | 25,560,662 | 24,104,264 | 1,456,398 | 6.0% |
| Due From Other Funds | 5,537 | 111,628 | (106,091) | (95.0%) |
| Restricted Cash and Investments | 5,508,874 | 5,356,135 | 152,739 | 2.9% |
| Total assets | <u>72,549,936</u> | <u>65,252,121</u> | <u>7,297,815</u> | <u>11.2%</u> |
| Liabilities | | | | |
| Accounts Payable | 126,020 | 110,109 | 15,911 | 14.5% |
| Due to Other Governments | 19,037,209 | 17,450,075 | 1,587,134 | 9.1% |
| Total liabilities | <u>19,163,229</u> | <u>17,560,184</u> | <u>1,603,045</u> | <u>9.1%</u> |
| Fund Balances | | | | |
| Restricted | | | | |
| Measure A | 31,053,300 | 23,381,713 | 7,671,587 | 32.8% |
| SCTMFP | 21,083,317 | 23,315,012 | (2,231,695) | (9.6%) |
| FSP | 388,196 | 331,181 | 57,015 | 17.2% |
| Unassigned | | | | |
| General Administration | 861,894 | 664,031 | 197,863 | 29.8% |
| Total fund balance | <u>53,386,707</u> | <u>47,691,937</u> | <u>5,694,770</u> | <u>11.9%</u> |
| Total Liabilities and Fund Balances | <u>\$ 72,549,936</u> | <u>\$ 65,252,121</u> | <u>\$ 7,297,815</u> | <u>11.2%</u> |

General Fund Budgetary Highlights

Revenues – Although actual sales tax revenue for FY 2018-19 exceeded budgeted revenue by \$2.4 million (1.8%), it was caused by delayed receipt of fourth quarter FY 2017-18 revenues previously explained in the financial highlights section. SCTMFP revenue was \$684,000 higher (10.2%) than expected because regional construction activity that generates the fee has continued at a robust pace. Grants for the FSP program were \$443,000 (21.7%) less than projected because gas tax money that was expected during FY 2018-19 has been delayed until FY 2019-20. Interest income (use of money and property) was \$3.3 million (57.1%) higher than budgeted because interest rate swap revenue received on the Authority's bond debt increased along with interest income on the fund balance accumulated for bond program principal and interest payments.

Expenditures - Intergovernmental expenditures were \$34.6 million (30.2%) less than budgeted because several capital projects required less funding than the agencies building them originally projected when construction bids came in higher than expected. As such, the scope of some projects was changed to align the costs with available funding. Most projects are slated to start in FY 2019-20.

| SACRAMENTO TRANSPORTATION AUTHORITY | | | | |
|--|---------------------|---------------------|------------------------|--------------|
| BUDGET TO ACTUAL ANALYSIS | | | | |
| | Adopted Budget | Actual | Increase or (Decrease) | |
| | | | Dollar | Percent |
| Revenues: | | | | |
| Taxes | \$ 129,372,000 | \$ 131,757,081 | 2,385,081 | 1.8% |
| SCTMFP | 6,000,000 | 6,684,039 | 684,039 | 10.2% |
| Grants for FSP | 2,487,499 | 2,043,752 | (443,747) | (21.7%) |
| Use of Money and Property | 2,441,000 | 5,693,643 | 3,252,643 | 57.1% |
| Total Revenues | <u>140,300,499</u> | <u>146,178,515</u> | <u>5,878,016</u> | <u>4.0%</u> |
| Expenditures: | | | | |
| General Government: | | | | |
| Administrative | 981,160 | 772,413 | 208,747 | 27.0% |
| FSP | 2,273,024 | 1,986,738 | 286,286 | 14.4% |
| Intergovernmental | 149,268,296 | 114,627,986 | 34,640,310 | 30.2% |
| Total Expenditures | <u>152,522,480</u> | <u>117,387,137</u> | <u>35,135,343</u> | <u>29.9%</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | - | - | 0.0% |
| Transfers out | (22,300,000) | (23,096,608) | (796,608) | 3.4% |
| Total Other Financing Sources (Uses) | <u>(22,300,000)</u> | <u>(23,096,608)</u> | <u>(796,608)</u> | <u>3.4%</u> |
| Changes in Fund Balance | (34,521,981) | 5,694,770 | (40,216,751) | (706.2%) |
| Fund Balance Beginning of Year | 47,691,937 | 47,691,937 | - | 0.0% |
| Fund Balance End of Year | 13,169,956 | 53,386,707 | 40,216,751 | 75.3% |

Other Financing Sources (Uses) – Actual expenditures were higher than budgeted by \$796,000 (3.4%). These expenditures are for debt service. Given that most of the Authority's debt has a variable interest rate, the public market drives the actual costs which can be difficult to budget for.

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 Authority began making principal payments on the Series 2012 bonds in FY 2016-17. Below is a summary of the Authority's bond portfolio as of June 30, 2019. For more detailed information on long-term debt, please refer to note 8.

| SACRAMENTO TRANSPORTATION AUTHORITY | | | |
|--|--------------------|-------------|-----------------|
| LONG-TERM DEBT | | | |
| | <u>Amount</u> | <u>Type</u> | <u>Maturity</u> |
| Series 2009C | 106,000,000 | VRDB* | October 2038 |
| Series 2012 | 42,575,000 | Fixed | October 2027 |
| Series 2014A | 106,100,000 | FRN** | October 2038 |
| Series 2015A | 106,100,000 | VRDB* | October 2038 |
| Total | <u>360,775,000</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 November 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 bank will draw upon the SBPA to purchase the bonds and the bonds will enter a bank bond period in which they accrue interest charges. 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 amount.

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 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 held by Sumitomo Mitsui Banking Corporation and due to expire in May 2023. These bonds have always been remarketable. The Authority retained the interest rate swaps.

Economic Indicators

As of October 2019, the unemployment rate in Sacramento County was 3.9% which is consistent with the national average. Sacramento is the state capital and home to a high concentration of government jobs. According to an October 2019 report published by the U.S. Bureau of Labor Statistics, government jobs in the four-county Sacramento region comprised 22.6% of the nonfarm labor force. Total nonfarm employment grew by 14,400 (1.4%) to 1.02 million over the last year. The largest employment gains over the last year were in the construction and manufacturing sectors – 8% and 3.5% respectively. The population in Sacramento County has grown 1.0% over the last year to 1.53 million. Population growth is one of the factors expected to drive up taxable sales by 2.0% in FY 2019-20 to \$26.8 billion.

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, 2019

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 41,176,514 |
| Receivables: | |
| Interest | 500,128 |
| Due from other governments | 25,907,260 |
| Restricted cash and investments | <u>12,428,865</u> |
| Total assets | <u>80,012,767</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Fair value of hedging derivatives (long-term interest rates) | 96,949,196 |
| Pension | 270,584 |
| OPEB | <u>7,808</u> |
| Total deferred outflows of resources | <u>97,227,588</u> |
| LIABILITIES | |
| Accounts payable | 126,020 |
| Due to other governments | 19,412,559 |
| Interest payable | 2,973,666 |
| Long-term liabilities: | |
| Due within one year | 3,948,873 |
| Long-term debt, due in more than one year | 460,037,737 |
| Compensated absences, due in more than one year | 55,899 |
| Net pension liability | 1,002,151 |
| Total OPEB liability | <u>174,785</u> |
| Total liabilities | <u>487,731,690</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension | 91,278 |
| OPEB | <u>3,705</u> |
| Total deferred inflows of resources | <u>94,983</u> |
| NET POSITION | |
| Restricted for Measure A projects | 31,053,300 |
| Restricted for SCTMFP | 21,083,317 |
| Restricted for FSP | 388,196 |
| Restricted for SAVSA | 167,490 |
| Restricted for debt service | 6,919,991 |
| Unrestricted | <u>(370,198,612)</u> |
| Total net position | <u>\$ (310,586,318)</u> |

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

| 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 | \$ 110,900,345 | \$ - | \$ (110,900,345) |
| SCTMFP | 3,727,641 | 6,684,039 | 2,956,398 |
| FSP | 1,986,738 | 2,043,752 | 57,014 |
| SAVSA | 1,316,666 | 1,316,666 | - |
| Administration | 813,062 | - | (813,062) |
| Interest on long-term debt | <u>18,570,877</u> | <u>-</u> | <u>(18,570,877)</u> |
| Total governmental activities | <u>\$ 137,315,329</u> | <u>\$ 10,044,457</u> | <u>\$ (127,270,872)</u> |
| General revenues: | | | |
| Sales taxes | | | 131,757,081 |
| Interest, investment earnings and other | | | <u>5,784,803</u> |
| Total general revenues | | | <u>137,541,884</u> |
| Change in net position | | | 10,271,012 |
| Net position, beginning of year | | | <u>(320,857,330)</u> |
| Net position, end of year | | | <u>\$ (310,586,318)</u> |

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

| | <u>General</u> | <u>Abandoned Vehicle Special Revenue</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--|-------------------------|---|
| ASSETS | | | | |
| Cash and investments | \$ 40,977,508 | \$ 199,006 | \$ - | \$ 41,176,514 |
| Receivables: | | | | |
| Interest | 497,355 | 2,773 | - | 500,128 |
| Due from other governments | 25,560,662 | 346,598 | - | 25,907,260 |
| Due from other funds | 5,537 | - | - | 5,537 |
| Restricted cash and investments | <u>5,508,874</u> | <u>-</u> | <u>6,919,991</u> | <u>12,428,865</u> |
| Total assets | <u>\$ 72,549,936</u> | <u>\$ 548,377</u> | <u>\$ 6,919,991</u> | <u>\$ 80,018,304</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and other accrued liabilities | \$ 126,020 | \$ - | - | \$ 126,020 |
| Due to other governments | 19,037,209 | 375,350 | - | 19,412,559 |
| Due to other funds | <u>-</u> | <u>5,537</u> | <u>-</u> | <u>5,537</u> |
| Total liabilities | <u>19,163,229</u> | <u>380,887</u> | <u>-</u> | <u>19,544,116</u> |
| FUND BALANCES | | | | |
| Restricted: | | | | |
| Measure A | 31,053,300 | - | - | 31,053,300 |
| SCTMFP | 21,083,317 | - | - | 21,083,317 |
| SAVSA | - | 167,490 | - | 167,490 |
| FSP | 388,196 | - | - | 388,196 |
| Debt service | - | - | 6,919,991 | 6,919,991 |
| Unassigned: | | | | |
| General administration | <u>861,894</u> | <u>-</u> | <u>-</u> | <u>861,894</u> |
| Total fund balances | <u>53,386,707</u> | <u>167,490</u> | <u>6,919,991</u> | <u>60,474,188</u> |
| Total liabilities and fund balances | <u>\$ 72,549,936</u> | <u>\$ 548,377</u> | <u>\$ 6,919,991</u> | <u>\$ 80,018,304</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, 2019

Total fund balances - governmental funds \$ 60,474,188

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 | (463,927,737) | |
| Fair value of hedging derivatives | 96,949,196 | (366,978,541) |

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 | 278,392 | |
| Deferred inflow of resources | (94,983) | |
| Net pension liability | (1,002,151) | |
| Total OPEB liability | (174,785) | (993,527) |

Interest payable is not due and payable in the current period and therefore is not reported in the fund statements. (2,973,666)

Compensated absences are not due and payable in the current period and therefore are not reported in the fund statements. (114,772)

Total net position - governmental activities \$ (310,586,318)

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

| | <u>General</u> | <u>Abandoned Vehicle Special Revenue</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|--|----------------------|--|-------------------------|---|
| Revenues: | | | | |
| Taxes | \$ 131,757,081 | \$ - | \$ - | \$ 131,757,081 |
| Mitigation fees | 6,684,039 | - | - | 6,684,039 |
| Vehicle registration fees | - | 1,316,666 | - | 1,316,666 |
| Grants for freeway services | 2,043,752 | - | - | 2,043,752 |
| Use of money and property | <u>5,693,643</u> | <u>6,571</u> | <u>84,589</u> | <u>5,784,803</u> |
| Total revenues | <u>146,178,515</u> | <u>1,323,237</u> | <u>84,589</u> | <u>147,586,341</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Administrative | 772,413 | 21,704 | - | 794,117 |
| Freeway Service Patrol | 1,986,738 | - | - | 1,986,738 |
| Intergovernmental | 114,627,986 | 1,294,962 | - | 115,922,948 |
| Debt service: | | | | |
| Principal retirement | - | - | 3,740,000 | 3,740,000 |
| Interest and other charges | <u>-</u> | <u>-</u> | <u>19,444,322</u> | <u>19,444,322</u> |
| Total expenditures | <u>117,387,137</u> | <u>1,316,666</u> | <u>23,184,322</u> | <u>141,888,125</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>28,791,378</u> | <u>6,571</u> | <u>(23,099,733)</u> | <u>5,698,216</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 23,096,608 | 23,096,608 |
| Transfers out | <u>(23,096,608)</u> | <u>-</u> | <u>-</u> | <u>(23,096,608)</u> |
| Total other financing sources (uses) | <u>(23,096,608)</u> | <u>-</u> | <u>23,096,608</u> | <u>-</u> |
| Change in fund balances | 5,694,770 | 6,571 | (3,125) | 5,698,216 |
| Fund balances, beginning of the year | <u>47,691,937</u> | <u>160,919</u> | <u>6,923,116</u> | <u>54,775,972</u> |
| Fund balances, end of year | <u>\$ 53,386,707</u> | <u>\$ 167,490</u> | <u>\$ 6,919,991</u> | <u>\$ 60,474,188</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
For the Year Ended June 30, 2019

Net change in fund balances - total governmental
Funds \$ 5,698,216

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 3,740,000

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 | (34,292) |
| OPEB expense | (7,109) |
| Change in compensated absences | 751 |
| Change in interest payable | 118,368 |
| Bond premium amortization | <u>755,078</u> |

Change in net position of governmental activities \$ 10,271,012

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 129,372,000 | \$ 129,372,000 | \$ 131,757,081 | \$ 2,385,081 |
| Mitigation fees | 6,000,000 | 6,000,000 | 6,684,039 | 684,039 |
| Grants for freeway services | 2,487,499 | 2,487,499 | 2,043,752 | (443,747) |
| Use of money and property | <u>2,441,000</u> | <u>2,441,000</u> | <u>5,693,643</u> | <u>3,252,643</u> |
| Total revenues | <u>140,300,499</u> | <u>140,300,499</u> | <u>146,178,515</u> | <u>5,878,016</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Administrative | 981,160 | 981,160 | 772,413 | 208,747 |
| Freeway Service Patrol | 2,273,024 | 2,273,024 | 1,986,738 | 286,286 |
| Intergovernmental | <u>149,268,296</u> | <u>149,268,296</u> | <u>114,627,986</u> | <u>34,640,310</u> |
| Total expenditures | <u>152,522,480</u> | <u>152,522,480</u> | <u>117,387,137</u> | <u>35,135,343</u> |
| (Deficiency) excess of revenues (under) over expenditures | (12,221,981) | (12,221,981) | 28,791,378 | 41,013,359 |
| Other financing uses: | | | | |
| Transfers out | <u>(22,300,000)</u> | <u>(22,300,000)</u> | <u>(23,096,608)</u> | <u>(796,608)</u> |
| Changes in fund balance (budgetary basis) | (34,521,981) | (34,521,981) | 5,694,770 | 40,216,751 |
| Fund balance, beginning of year | <u>47,691,937</u> | <u>47,691,937</u> | <u>47,691,937</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 13,169,956</u> | <u>\$ 13,169,956</u> | <u>\$ 53,386,707</u> | <u>\$ 40,216,751</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
For the Year Ended June 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Vehicle registration fees | \$ 1,258,677 | \$ 1,258,677 | \$ 1,316,666 | \$ 57,989 |
| Use of money and property - interest | <u>400</u> | <u>400</u> | <u>6,571</u> | <u>6,171</u> |
| Total revenues | <u>1,259,077</u> | <u>1,259,077</u> | <u>1,323,237</u> | <u>64,160</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Intergovernmental | 1,231,473 | 1,231,473 | 1,294,962 | (63,489) |
| Administrative | <u>27,604</u> | <u>27,604</u> | <u>21,704</u> | <u>5,900</u> |
| Total expenditures | <u>1,259,077</u> | <u>1,259,077</u> | <u>1,316,666</u> | <u>(57,589)</u> |
| Changes in fund balance (budgetary basis) | - | - | 6,571 | 6,571 |
| Fund balance, beginning of year | <u>160,919</u> | <u>160,919</u> | <u>160,919</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 160,919</u> | <u>\$ 160,919</u> | <u>\$ 167,490</u> | <u>\$ 6,571</u> |

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – DEBT SERVICE FUND
For the Year Ended June 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Interest | \$ 500 | \$ 500 | \$ 84,589 | \$ 84,089 |
| Expenditures: | | | | |
| Principal | 3,740,000 | 3,740,000 | 3,740,000 | - |
| Interest and other charges | <u>18,015,000</u> | <u>18,015,000</u> | <u>19,444,322</u> | <u>(1,429,322)</u> |
| Total expenditures | <u>21,755,000</u> | <u>21,755,000</u> | <u>23,184,322</u> | <u>(1,429,322)</u> |
| Deficiency of revenues under expenditures | (21,754,500) | (21,754,500) | (23,099,733) | (1,345,233) |
| Other financing sources: | | | | |
| Transfers in | <u>20,783,385</u> | <u>20,783,385</u> | <u>23,096,608</u> | <u>2,313,223</u> |
| Changes in fund balance (budgetary basis) | (971,115) | (971,115) | (3,125) | 967,990 |
| Fund balance, beginning of year | <u>6,923,116</u> | <u>6,923,116</u> | <u>6,923,116</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 5,952,001</u> | <u>\$ 5,952,001</u> | <u>\$ 6,919,991</u> | <u>\$ 967,990</u> |

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS
For the Year Ended June 30, 2019

ASSETS

| | |
|----------------------------|----------------------|
| Cash and investments | \$ 21,390,035 |
| Interest receivable | 251,387 |
| Due from other governments | <u>166,667</u> |
| Total assets | <u>\$ 21,808,089</u> |

LIABILITIES

| | |
|--------------------------|----------------------|
| Due to other governments | \$ 919,074 |
| Deposits | <u>20,889,015</u> |
| Total liabilities | <u>\$ 21,808,089</u> |

See accompanying notes to financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019, 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, 2019, 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, 2019, 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, 2019, 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, 2019

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

New Accounting Pronouncements: The Authority adopted the following accounting standard during the year. GASB Statement No. 88, Certain Disclosures Related to Debt, including Debt Borrowings and Direct Placements, issued April 2018.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

| | |
|---------------------------------|----------------------|
| Governmental activities: | |
| Cash and investments | \$ 41,176,514 |
| Restricted cash and investments | 12,428,865 |
| Agency funds: | |
| Cash and investments | <u>21,390,035</u> |
| Total cash and investments | <u>\$ 74,995,414</u> |

As of June 30, 2019, the Authority's cash and investments consisted of the following:

| | |
|---|----------------------|
| Deposits: | |
| Deposits with financial institutions | \$ 1,133,423 |
| Pooled Funds: | |
| County Treasury | 61,433,126 |
| CAMP pool | <u>1,177,801</u> |
| Total pooled funds | <u>62,610,927</u> |
| Investments: | |
| Investments with fiscal agent | |
| Money market mutual fund (governmental obligations) | 6,919,991 |
| U.S. Treasury securities | <u>4,331,073</u> |
| Total investments | <u>11,251,064</u> |
| Total cash and investments | <u>\$ 74,995,414</u> |

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019, 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, 2019

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, 2019 was \$4.3 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 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, 2019, the weighted average maturity of the investments contained the County Treasury, CAMP, and mutual money market funds is approximately 320, 54, and 36 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 CAMP or the County Pool is rated by a nationally recognized statistical rating organization. The Money Market Mutual Fund is rated AAA 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, 2019, the carrying amount of the

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 2 - CASH AND INVESTMENTS (Continued)

Authority's deposits and the balance in financial institutions was \$1,162,667, of which \$250,000 was covered by federal depository insurance and \$912,667 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, 2019.

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, 2019:

| | | Fair Value Measurements Using | | |
|---|---------------|-------------------------------|------------------|------------------|
| | <u>Total</u> | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
| Investments by fair value level | | | | |
| Money market mutual fund | \$ 6,919,991 | \$ 6,919,991 | \$ | \$ |
| U.S. Treasury securities | 4,331,073 | 4,331,073 | | |
| Total investments by fair value level | 11,251,064 | \$ 11,251,064 | \$ | \$ |
| Investments measured at net asset value | | | | |
| County pool | 61,433,126 | | | |
| CAMP pool | 1,177,801 | | | |
| | \$ 73,861,991 | | | |

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

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, 2019, 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 | 10.022% | 6.842% |

In addition to the contribution rate above, the Authority was also required to make a payment of \$71,338 towards its unfunded actuarial liability during the fiscal year ended June 30, 2019.

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, 2019

NOTE 3 - PENSION PLAN (Continued)

The contributions to the Plan were \$108,775 for the year ended June 30, 2019.

Pension Liabilities, Pension Expenses and Deferred Outflow/Inflow of Resources Related to Pensions: As of June 30, 2019, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,002,151.

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, 2019 is measured as of June 30, 2018 and the total pension liability is determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, 2019 and 2018 is as follows:

| | <u>Miscellaneous</u> |
|------------------------------|----------------------|
| Proportion - June 30, 2019 | 0.02659% |
| Proportion - June 30, 2018 | 0.02650% |
| Change - Increase (Decrease) | 0.00009% |

For the year ended June 30, 2019, the Authority recorded pension expense of \$143,067. At June 30, 2019, 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 | \$ 108,775 | \$ - |
| Change in employer's proportion | 4,154 | 19,018 |
| Net differences between projected and actual earnings on plan investments | 4,954 | - |
| Changes in assumption | 114,248 | 28,000 |
| Difference between expected and actual experience | 38,451 | 13,085 |
| Difference between actual and allocated contributions | - | 31,175 |
| Total | \$ 270,582 | \$ 91,278 |

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 3 - PENSION PLAN (Continued)

The \$108,775 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, 2020. 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> |
|------------------------------|------------------|
| 2020 | \$ 79,761 |
| 2021 | 41,288 |
| 2022 | (41,507) |
| 2023 | <u>(9,013)</u> |
| | <u>\$ 70,529</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, 2017 |
| Measurement Date | June 30, 2018 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| 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, 2019 were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. 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, 2019

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, 2018. 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 | 50.0% | 4.80% | 5.98% |
| Global Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Assets | - | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Estate | 13.0% | 3.75% | 4.93% |
| Liquidity | <u>1.0%</u> | - | (.92)% |
| 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 | \$ 1,571,545 |
| Current Discount Rate | 7.15% |
| Net Pension Liability | \$ 1,002,151 |
| 1% Increase | 8.15% |
| Net Pension Liability | \$ 532,126 |

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, 2019

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, 2019 accounting valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified below:

| | |
|-------------------------|---|
| Valuation date: | June 30, 2017 |
| Measurement date: | June 30, 2018 |
| Actuarial Cost Method: | Entry-Age Normal Cost Method |
| Actuarial assumptions: | |
| Inflation | 2.75% |
| Salary increases | 3.25% |
| Discount rate | 2.98% |
| Mortality rate | CalPERS 2014 Experience Study |
| 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, 2019

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, 2018 as published by the Federal Reserve.

Mortality information was based on the MacLeod Watts Scale 2017 which was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2016 Report, published October 2016 and (2) the demographic assumptions used in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published June 2016.

Changes in Total OPEB Liability:

| | Increase (Decrease) Total OPEB Liability |
|--------------------------|---|
| Balance at July 1, 2018 | \$ 162,279 |
| Changes in the year: | |
| Service cost | 10,559 |
| Interest | 5,308 |
| Benefit payments | (6,521) |
| Change of assumptions | 3,160 |
| Net changes | 12,506 |
| Balance at June 30, 2019 | \$ 174,785 |

The changes in assumptions include a change in the discount rate from 3.13% in the prior valuation, to 2.98% in the current valuation. There were no changes between the measurement date and the year ended June 30, 2019 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>1.98%</u> | <u>2.98%</u> | <u>3.98%</u> |
| Net OPEB liability | \$ 198,828 | \$ 174,785 | \$ 155,522 |

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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>\$ 151,090</u> | <u>\$ 174,785</u> | <u>\$ 212,487</u> |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2019, the Authority recognized OPEB expense of \$7,109. At June 30, 2018, the Authority had no deferred outflows or inflows related to the OPEB plan. At June 30, 2019, 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 | \$ 7,808 | - |
| Changes in assumptions | <u>2,668</u> | <u>\$ 6,373</u> |
| Total | <u>\$ 10,476</u> | <u>\$ 6,373</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> |
|------------------------------|-------------------|
| 2020 | \$ (950) |
| 2021 | (950) |
| 2022 | (950) |
| 2023 | (950) |
| 2024 | (113) |
| Thereafter | <u>208</u> |
| | <u>\$ (3,705)</u> |

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2019 was \$23,856.

Future minimum lease payments under operating leases as of June 30, 2019 are as follows:

| <u>Year Ended June 30</u> | <u>Amount</u> |
|-------------------------------|-------------------|
| 2020 | \$ 37,900 |
| 2021 | 47,416 |
| 2022 | 55,781 |
| 2023 | 59,298 |
| 2024 | 63,215 |
| 2025-2028 | <u>251,954</u> |
| | <u>\$ 515,564</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 \$23,096,608.

NOTE 8 – LONG-TERM LIABILITIES

The activity of the Authority's long-term liabilities during the year ended June 30, 2019 are as follows:

| | <u>Balance July 1, 2018</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2019</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) | 68,691,577 | 28,257,619 | - | 96,949,196 | - |
| 2012 Series Bonds Unamortized Bond Premium (2012 Series Bonds) | 46,315,000 | - | 3,740,000 | 42,575,000 | 3,890,000 |
| Series 2014A Bonds (Direct Placement) | 6,858,619 | - | 755,078 | 6,103,541 | - |
| 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>440,165,196</u> | <u>28,257,619</u> | <u>4,495,078</u> | <u>463,927,737</u> | <u>3,890,000</u> |
| Compensated absences | 115,523 | 58,122 | 58,873 | 114,772 | 58,873 |
| Net Pension Liability | 1,044,537 | - | 42,386 | 1,002,151 | - |
| Net OPEB liability | 162,279 | 12,506 | - | 174,785 | - |
| | <u>162,279</u> | <u>12,506</u> | <u>-</u> | <u>174,785</u> | <u>-</u> |
| Total long-term liabilities | <u>\$ 441,487,535</u> | <u>\$ 28,328,247</u> | <u>\$ 4,596,337</u> | <u>\$ 465,219,445</u> | <u>\$ 3,948,873</u> |
| Amount due within one year | | | | <u>3,948,873</u> | |
| Amount due in more than one year | | | | <u>\$ 461,270,572</u> | |

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

\$ 42,575,000

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. As of June 30, 2019 these bonds are a direct placement of debt with Wells Fargo Bank and are not traded on the public market.

\$ 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 \$553.2 million. For the current year, the interest paid and total incremental sales tax revenues were \$19.4 million and \$131.8 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, 2019

NOTE 8 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2019, 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.

General Obligation Bonds

| Fiscal Year Ending June 30, | Principal | Bond Interest | Estimated Derivatives, Net | Hedging Ancillary Fees | Total |
|-----------------------------------|-----------------------|----------------------|-------------------------------|---------------------------|-----------------------|
| 2020 | \$ 3,890,000 | \$ 4,650,154 | \$ 4,377,383 | \$ 997,970 | \$ 13,915,507 |
| 2021 | 4,050,000 | 4,491,354 | 4,377,383 | 994,951 | 13,913,688 |
| 2022 | 4,235,000 | 4,304,479 | 4,377,383 | 995,388 | 13,912,250 |
| 2023 | 4,455,000 | 4,087,229 | 4,377,383 | 995,388 | 13,915,000 |
| 2024 | 4,685,000 | 3,858,729 | 4,377,383 | 997,970 | 13,919,082 |
| 2025 - 2029 | 36,160,000 | 15,491,223 | 21,733,182 | 4,943,818 | 78,328,223 |
| 2030 - 2034 | 88,400,000 | 9,756,280 | 15,943,318 | 3,627,685 | 117,727,283 |
| 2035-2039 | <u>108,900,000</u> | <u>3,550,200</u> | <u>5,801,533</u> | <u>1,320,741</u> | <u>119,572,474</u> |
| Total | <u>\$ 254,775,000</u> | <u>\$ 50,189,648</u> | <u>\$ 65,364,948</u> | <u>\$ 14,873,911</u> | <u>\$ 385,203,507</u> |

Direct Placement Bonds

| Fiscal Year Ending June 30, | Principal | Bond Interest | Estimated Derivatives, Net | Hedging Ancillary Fees | Total |
|-----------------------------------|-----------------------|----------------------|-------------------------------|---------------------------|-----------------------|
| 2020 | \$ - | \$ 1,329,157 | \$ 2,296,063 | \$ 520,800 | \$ 4,146,020 |
| 2021 | - | 1,329,157 | 2,296,063 | 519,231 | 4,144,451 |
| 2022 | - | 1,329,157 | 2,296,063 | 519,449 | 4,144,669 |
| 2023 | - | 1,329,157 | 2,296,063 | 519,449 | 4,144,669 |
| 2024 | - | 1,329,157 | 2,296,063 | 520,800 | 4,146,020 |
| 2025 - 2029 | 7,400,000 | 6,599,433 | 11,400,245 | 2,580,100 | 27,979,778 |
| 2030 - 2034 | 44,300,000 | 4,839,959 | 8,360,830 | 1,894,308 | 59,395,097 |
| 2035-2039 | <u>54,400,000</u> | <u>1,760,099</u> | <u>3,040,499</u> | <u>689,826</u> | <u>59,890,424</u> |
| Total | <u>\$ 106,100,000</u> | <u>\$ 19,845,276</u> | <u>\$ 34,281,889</u> | <u>\$ 7,763,963</u> | <u>\$ 167,991,128</u> |

Events of Default: Events of default with financial consequences may occur under the Indenture that allow that the Trustee may enforce its rights by any one or more of the remedies. Significant remedies under the Indenture include:

- The Authority shall immediately transfer to the Trustee all Revenues held by the Authority.
- Bring legal action upon the Bonds.
- Limit the Authority's ability to issue new bonds unless the issuance of those bonds will remedy the default.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 – LONG-TERM LIABILITIES (Continued)

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 | \$ (32,923,503) | October 1, 2038 | Aa2/A+/AA- | Level 2 |
| Series 2014A | \$ 106,100,000 | October 18, 2006 | 3.736% | 67% USD LIBOR | \$ (32,927,008) | October 1, 2038 | A1/A+/A+ | Level 2 |
| Series 2015A | \$ 106,100,000 | October 18, 2006 | 3.666% | 67% USD LIBOR | \$ (31,098,685) | October 1, 2038 | Aa2/A+/AA | Level 2 |
| | | | | | <u>\$ (96,949,196)</u> | | | |

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

Fair value - The swaps had a total fair value of negative \$96.9 million as of June 30, 2019, 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, 2019. 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, 2019, 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.

(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

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.

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, 2019, the Authority had negative net position of \$310,586,318. 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, 2019 for subsequent events through December 20, 2019, 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, 2019

| | Last 10 years | | | | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | June 30, <u>2019</u> | 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 | 0.02659% | 0.02650% | 0.02616% | 0.02734% | 0.02463% |
| Proportionate share of the net pension liability | \$ 1,002,151 | \$ 1,044,537 | \$ 908,590 | \$ 750,078 | \$ 608,865 |
| Covered payroll - measurement period | \$ 352,622 | \$ 451,635 | \$ 351,909 | \$ 363,473 | \$ 366,547 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 284.20% | 231.28% | 258.19% | 206.36% | 166.11% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.44% | 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, 2019

| | Last 10 years | | | | | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | June 30, <u>2019</u> | 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) | \$ 108,775 | \$ 91,285 | \$ 89,707 | \$ 76,574 | \$ 69,181 | \$ 63,722 |
| Contributions in relation to the actuarially determined contributions | <u>(108,775)</u> | <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> | <u>\$ -</u> |
| Covered payroll - fiscal year | \$ 348,630 | \$ 352,622 | \$ 451,635 | \$ 351,909 | \$ 363,473 | \$ 366,547 |
| Contributions as a percentage of covered payroll | 31.20% | 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 six 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, 2019

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Total OPEB liability | | |
| Service cost | \$ 10,559 | \$ 11,232 |
| Interest | 5,308 | 4,497 |
| Benefit payments | (6,521) | (1,518) |
| Change in assumption | <u>3,160</u> | <u>(9,257)</u> |
| Net change in total OPEB liability | <u>12,506</u> | <u>4,954</u> |
| Total OPEB liability - beginning | 162,279 | 157,325 |
| Total OPEB liability - ending | <u>\$ 174,785</u> | <u>\$ 162,279</u> |
| Covered payroll - measurement period | <u>\$ 352,622</u> | <u>\$ 348,630</u> |
| Total OPEB liability as percentage of covered payroll | <u>49.57%</u> | <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, 2018 |
| Discount Rate: | 2.98% |

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 3.13 and 2.98 percent in the June 30, 2017 and 2018 actuarial reports, respectively.

SUPPLEMENTARY INFORMATION

SACRAMENTO TRANSPORTATION AUTHORITY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2019

| | Balance July 1, 2018 | Additions | Deletions | Balance June 30, 2019 |
|-----------------------------|-------------------------|------------------|---------------------|--------------------------|
| City of Sacramento | | | | |
| Assets: | | | | |
| Cash and Investments | \$ 9,974,020 | \$ 9,966,982 | \$(18,022,935) | \$ 1,918,067 |
| Interest Receivable | <u>49,240</u> | <u>15,428</u> | <u>(49,240)</u> | <u>15,428</u> |
| Total Assets | <u>10,023,260</u> | <u>9,982,410</u> | <u>(18,072,175)</u> | <u>1,933,495</u> |
| Liabilities: | | | | |
| Due to other governments | 1,436,370 | 752,407 | (1,436,370) | 752,407 |
| Deposits | <u>8,586,890</u> | <u>1,618,781</u> | <u>(9,024,583)</u> | <u>1,181,088</u> |
| Total Liabilities | <u>10,023,260</u> | <u>2,371,188</u> | <u>(10,460,953)</u> | <u>1,933,495</u> |
| City of Isleton | | | | |
| Assets: | | | | |
| Interest Receivable | <u>2,375</u> | - | <u>(2,375)</u> | - |
| Total Assets | <u>2,375</u> | - | <u>(2,375)</u> | - |
| Liabilities: | | | | |
| Deposits | <u>2,375</u> | - | <u>(2,375)</u> | - |
| Total Liabilities | <u>2,375</u> | - | <u>(2,375)</u> | - |
| Neighborhood Shuttle | | | | |
| Assets: | | | | |
| Cash and Investments | 9,062,219 | 1,233,955 | (1,402,499) | 8,893,675 |
| Interest Receivable | 64,841 | 112,263 | (64,841) | 112,263 |
| Due From Other Governments | <u>166,667</u> | <u>166,667</u> | <u>(166,667)</u> | <u>166,667</u> |
| Total Assets | <u>9,293,727</u> | <u>1,512,885</u> | <u>(1,634,007)</u> | <u>9,172,605</u> |
| Liabilities: | | | | |
| Deposits | 9,293,727 | 1,512,884 | (1,800,673) | 9,005,938 |
| Due to Other Governments | <u>-</u> | <u>166,667</u> | <u>-</u> | <u>166,667</u> |
| Total Liabilities | <u>9,293,727</u> | <u>1,679,551</u> | <u>(1,800,637)</u> | <u>9,172,605</u> |
| CSTA set aside | | | | |
| Assets: | | | | |
| Cash and Investments | 9,059,578 | 1,518,715 | - | 10,578,293 |
| Interest Receivable | 63,398 | 123,696 | (63,398) | 123,696 |
| Due From Other Governments | <u>192,120</u> | <u>-</u> | <u>(192,120)</u> | <u>-</u> |
| Total Assets | <u>9,315,096</u> | <u>1,642,411</u> | <u>(255,518)</u> | <u>10,701,989</u> |
| Liabilities: | | | | |
| Deposits | <u>9,315,096</u> | <u>1,642,412</u> | <u>(255,519)</u> | <u>10,701,989</u> |
| Total Liabilities | <u>9,315,096</u> | <u>1,642,412</u> | <u>(255,519)</u> | <u>10,701,989</u> |

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2019

| <u>Segment</u> | <u>Balance July 1, 2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2019</u> |
|----------------------------|---------------------------------|----------------------|-----------------------|----------------------------------|
| Total Agency Funds | | | | |
| Assets: | | | | |
| Cash and Investments | \$ 28,095,817 | \$ 12,719,652 | \$(19,425,434) | \$ 21,390,035 |
| Interest Receivable | 179,854 | 251,387 | (179,854) | 251,387 |
| Due from other governments | <u>358,787</u> | <u>166,667</u> | <u>(358,787)</u> | <u>166,667</u> |
| Total Assets | <u>\$ 28,634,458</u> | <u>\$ 13,137,706</u> | <u>\$(19,964,075)</u> | <u>\$ 21,808,089</u> |
| Liabilities: | | | | |
| Due to other governments | \$ 1,436,370 | \$ 919,074 | \$ (1,436,370) | \$ 919,074 |
| Deposits | <u>27,198,088</u> | <u>4,774,077</u> | <u>(11,083,150)</u> | <u>20,889,015</u> |
| Total Liabilities | <u>\$ 28,634,458</u> | <u>\$ 5,693,151</u> | <u>\$(12,519,520)</u> | <u>\$ 21,808,089</u> |

STATISTICAL SECTION

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, 2019

Last 10 years

| | <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> | <u>2019</u> |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Governmental activities: | | | | | | | | | | |
| Restricted: | | | | | | | | | | |
| Measure A* | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 42,991,554 | \$ 23,381,713 | \$ 31,053,300 |
| 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 | 21,083,317 |
| Restricted: SAVSA | - | - | - | - | 107,455 | 121,827 | 154,549 | - | 160,919 | 167,490 |
| Restricted: FSP | - | - | - | - | - | - | 164,338 | - | 331,181 | 388,196 |
| Restricted: debt service | - | - | - | - | - | - | 6,362,460 | 6,588,099 | 6,923,116 | 6,919,991 |
| Unrestricted | <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> | <u>(370,198,612)</u> |
| Total governmental activities net position | <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> | <u>\$ (310,586,318)</u> |

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

SACRAMENTO TRANSPORTATION AUTHORITY
CHANGES IN NET POSITION
June 30, 2019

Last 10 years

| | <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> | <u>2019</u> |
|---|------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|------------------------|----------------------|----------------------|----------------------|
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Measure A | \$ 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 | \$ 110,900,345 |
| SCTMFP* | - | - | - | - | 2,680,549 | 6,676 | 1,004,034 | 16,547,233 | 2,126,292 | 3,727,641 |
| FSP | 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 | 1,986,738 |
| SAVSA | 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 | 1,316,666 |
| Administration** | - | - | - | - | - | 713,350 | 1,387,221 | 979,254 | 633,150 | 813,062 |
| Interest on long-term debt | 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 | 18,538,855 |
| Total governmental activities expenses | <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> | <u>137,283,307</u> |
| Program revenues: | | | | | | | | | | |
| Operating grants and contributions | <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> | <u>10,044,457</u> |
| Net (expense) revenue | <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> | <u>(127,238,850)</u> |
| General revenues and other changes in net position: | | | | | | | | | | |
| Sales taxes | 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 | 131,757,081 |
| Investment earnings | <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> | <u>5,752,781</u> |
| Total general revenues | <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> | <u>137,509,862</u> |
| Change in net position | <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> | <u>\$ 10,271,012</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, 2019

Last 10 years

| | <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> | <u>2019</u> |
|------------------------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ - | \$ 10,027 | \$ 10,027 | \$ 10,027 | \$ 10,027 | \$ 10,027 | \$ 10,027 | \$ 4,763 | \$ - | \$ - |
| Restricted | 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 | 52,524,813 |
| Unassigned | - | 589,073 | 600,000 | 740,000 | 427,430 | 329,381 | (195,546) | (38,522) | 664,031 | 861,894 |
| Total general fund | <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> | <u>53,386,707</u> |
| Other Governmental Funds | | | | | | | | | | |
| Restricted | <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> | <u>7,087,481</u> |
| Total all other governmental funds | <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> | <u>7,087,481</u> |
| Total governmental funds | <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> | <u>\$ 60,474,188</u> |

SACRAMENTO TRANSPORTATION AUTHORITY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
June 30, 2019

Last 10 years

| | <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> | <u>2019</u> |
|---|----------------------|------------------------|------------------------|----------------------|------------------------|------------------------|------------------------|-----------------------|--------------------|---------------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 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 | \$ 131,757,081 |
| 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 | 6,684,039 |
| Vehicle registration fees | 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 | 1,316,666 |
| State grant | 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 | 2,043,752 |
| Use of money and | | | | | | | | | | |
| Property | 637,426 | 761,415 | 641,940 | 660,928 | 430,196 | 555,414 | 941,859 | 1,795,119 | 3,081,259 | 5,752,781 |
| Miscellaneous | 133,264 | 93,583 | - | 1,452 | 712 | 1,415 | 14,505 | 159,210 | 120,855 | - |
| Total Revenues | 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 | 147,554,319 |
| Expenditures: | | | | | | | | | | |
| General government: | | | | | | | | | | |
| Administrative* | 599,424 | 542,380 | 658,391 | 745,552 | 1,008,517 | 805,331 | 1,342,300 | 977,515 | 542,737 | 794,117 |
| Freeway service patrol* | 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 | 1,986,738 |
| Intergovernmental* | 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 | 115,922,948 |
| Debt Service: | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | 3,450,000 | 3,590,000 | 3,740,000 |
| Interest and other charges | 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 | 19,412,300 |
| Total expenditures | 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 | 141,856,103 |
| Excess (deficiency) of expenditures over (under) revenue | (55,533,920) | (46,331,703) | (26,933,584) | (9,144,877) | (10,266,729) | (10,326,833) | (14,604,521) | (4,066,129) | 537,360 | 5,698,216 |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | 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 | 23,096,608 |
| Transfers out | (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) | (23,096,608) |
| 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 | \$ 80,446,080 | \$ (46,331,703) | \$ (26,933,584) | \$ 55,536,278 | \$ (10,266,729) | \$ (10,326,833) | \$ (14,604,521) | \$ (4,066,129) | \$ 537,360 | \$ 5,698,216 |
| Debt Service as a percentage of noncapital expenditures | 11.35% | 13.12% | 13.71% | 17.39% | 16.76% | 15.88% | 13.59% | 18.11% | 20.03% | 19.50% |

*noncapital expenditures

SACRAMENTO TRANSPORTATION AUTHORITY
REVENUE CAPACITY - REVENUE BASE AND REVENUE RATE
June 30, 2019

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> |
|--------------------|-----------------------|---|--|
| 2019 | 0.5% | \$ 131,757 | \$ 26,351,400 |
| 2018 | 0.5% | 119,188 | 25,443,669 |
| 2017 | 0.5% | 116,878 | 24,610,617 |
| 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 |

Source: Board of Equalization

* Fiscal Year 2019 are estimated - actuals not available.

SACRAMENTO TRANSPORTATION AUTHORITY
REVENUE CAPACITY - PRINCIPAL REVENUE PAYERS
Calendar Years 2018 and 2009

| | 2018* | | | 2009 | | |
|--|-------|--------------------------|-----------------------------------|------|--------------------------|-----------------------------------|
| | Rank | Amount (in thousands) | Percentage of Taxable Sales | Rank | Amount (in thousands) | Percentage of Taxable Sales |
| All Other Outlets | 1 | \$ 7,850,294 | 30.9% | 1 | \$ 5,311,534 | 32.1% |
| Motor Vehicle and Parts Dealers | 2 | 3,632,819 | 14.3% | 4 | 1,568,867 | 9.5% |
| Food Services and Drinking Places | 3 | 2,691,149 | 10.6% | 6 | 1,643,893 | 9.8% |
| General Merchandise Stores | 4 | 2,402,535 | 9.4% | 2 | 1,904,847 | 11.5% |
| Other Retail Group | 5 | 2,093,087 | 8.2% | 3 | 2,015,242 | 12.1% |
| Gasoline Stations | 6 | 1,882,373 | 7.4% | 5 | 1,355,959 | 8.2% |
| Building Material and Garden Equipment and Supplies Dealers | 7 | 1,571,757 | 6.2% | 7 | 890,055 | 5.4% |
| Food and Beverage Stores | 8 | 1,115,407 | 4.4% | 10 | 838,995 | 5.1% |
| Clothing and Clothing Accessories Stores | 9 | 1,102,620 | 4.3% | 9 | 772,262 | 4.7% |
| Home Furnishings and Appliance Stores | 10 | 1,101,629 | 4.3% | 8 | 262,196 | 1.6% |
| Total All Outlets | | <u>\$ 25,443,670</u> | <u>100.0%</u> | | <u>\$ 16,563,850</u> | <u>100.0%</u> |

Source: California Department of Tax and Fee Administration

*Latest information available

SACRAMENTO TRANSPORTATION AUTHORITY
 PRINCIPAL EMPLOYERS
 June 30, 2018 and 2009

| | 2018* | | | 2009 | | |
|-----------------------------------|-------|---------------|---------------------------------------|------|---------------|---------------------------------------|
| | Rank | Employees | Percentage of Total County Employment | Rank | Employees | Percentage of Total County Employment |
| Kaiser Permanente | 1 | 10,517 | 1.57% | 1 | 9,608 | 1.50% |
| UC Davis Health System | 2 | 10,467 | 1.56% | | | |
| Sutter/California Health Services | 3 | 9,911 | 1.48% | 2 | 8,220 | 1.28% |
| Dignity/Mercy Healthcare | 4 | 8,039 | 1.20% | 3 | 6,328 | 0.99% |
| Intel Corporation | 5 | 6,000 | 0.90% | 4 | 6,300 | 0.98% |
| Apple Inc. | 6 | 5,000 | 0.75% | | | |
| Raley's Inc/Belair | 7 | 3,147 | 0.47% | 8 | 3,335 | 0.52% |
| Health Net of California Inc. | 8 | 3,000 | 0.45% | 9 | 2,720 | 0.42% |
| VSP Global | 9 | 2,927 | 0.44% | | | |
| Wells Fargo & Co. | 10 | 1,804 | 0.27% | 5 | 6,272 | 0.98% |
| AT&T California | | | | 6 | 5,389 | 0.84% |
| Hewlett Packard | | | | 7 | 3,600 | 0.56% |
| Pride Industries | | | | 10 | 2,504 | 0.39% |
| Total | | <u>60,812</u> | <u>9.09%</u> | | <u>54,276</u> | <u>8.46%</u> |

Source: Sacramento County June 30, 2018 Comprehensive Annual Financial Report

*Latest information available

SACRAMENTO TRANSPORTATION AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
June 30, 2019

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> |
|--------------------|-------------------|--------------------------------|-----------------------------------|--------------------------|
| 2018* | 1,531,000 | 76,832,120 | 50,197 | 4.6% |
| 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% |

Sources: County of Sacramento Comprehensive Annual Financial Report.

* Latest information available.

SACRAMENTO TRANSPORTATION AUTHORITY
OPERATING INFORMATION - EMPLOYEES
June 30, 2019

Last 10 Years

| <u>Activity</u> | <u>2019</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> |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Measure A/SAVSA | 2.07 | 1.95 | 2.95 | 2.65 | 2.6 | 2.6 | 2.45 | 2.45 | 2.45 | 2.45 |
| Freeway Service Patrol | 0.93 | 1.05 | 1.05 | 1.15 | 1.2 | 1.2 | 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, 2019

Last 10 years

| Jurisdiction | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| City of Citrus Heights | \$ 2,594,616 | \$ 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 |
| County of Sacramento | 19,824,716 | 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 |
| CTSA Set Aside* | 1,078,447 | 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 | 5,367,420 | 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 |
| City of Folsom | 2,603,896 | 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 |
| City of Galt | 1,317,357 | 1,191,381 | 1,168,176 | 1,091,347 | 1,048,496 | 1,003,696 | 958,170 | 914,734 | 857,824 | 820,800 |
| City of Isleton | 52,694 | 47,656 | 46,727 | 43,654 | 41,940 | 40,150 | 38,327 | 36,592 | 34,313 | 32,835 |
| Neighborhood Shuttle* | 1,000,000 | 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 | 4,743,008 | 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 |
| Sacramento Regional Parks* | 1,000,000 | 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 | 2,497,862 | 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 |
| Regional Transit | 44,631,157 | 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 |
| City of Sacramento | 15,270,445 | 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 |
| SMAQMD | 1,940,485 | 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 |
| Debt Service | 23,184,323 | 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 | 970,243 | 1,033,547 | 899,939 | 802,498 | 770,694 | 737,444 | 703,654 | 671,415 | 629,177 | 601,698 |
| Total allocations | \$ 128,076,669 | \$ 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 |

Source: Authority accounting records

SACRAMENTO TRANSPORTATION AUTHORITY
RATIOS OF OUTSTANDING DEBT
June 30, 2019

Last 10 Years

| <u>Fiscal Year</u> | <u>Sales Tax Revenue Bonds</u> | <u>Percentage of Personal Income</u> | <u>Per Capita</u> |
|--------------------|--------------------------------|--------------------------------------|-------------------|
| 2018* | \$ 364,615,000 | 0.5% | 238 |
| 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 and Audited Financial Statements

* Latest information available.

SACRAMENTO TRANSPORTATION AUTHORITY
OPERATING INFORMATION - ABANDONED VEHICLE ABATEMENTS
June 30, 2019

Last 10 Years

| <u>Fiscal Year</u> | <u>AbateMENTS</u> |
|--------------------|-------------------|
| 2019 | 18,877 |
| 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 |

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, 2019, 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 20, 2019.

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 20, 2019