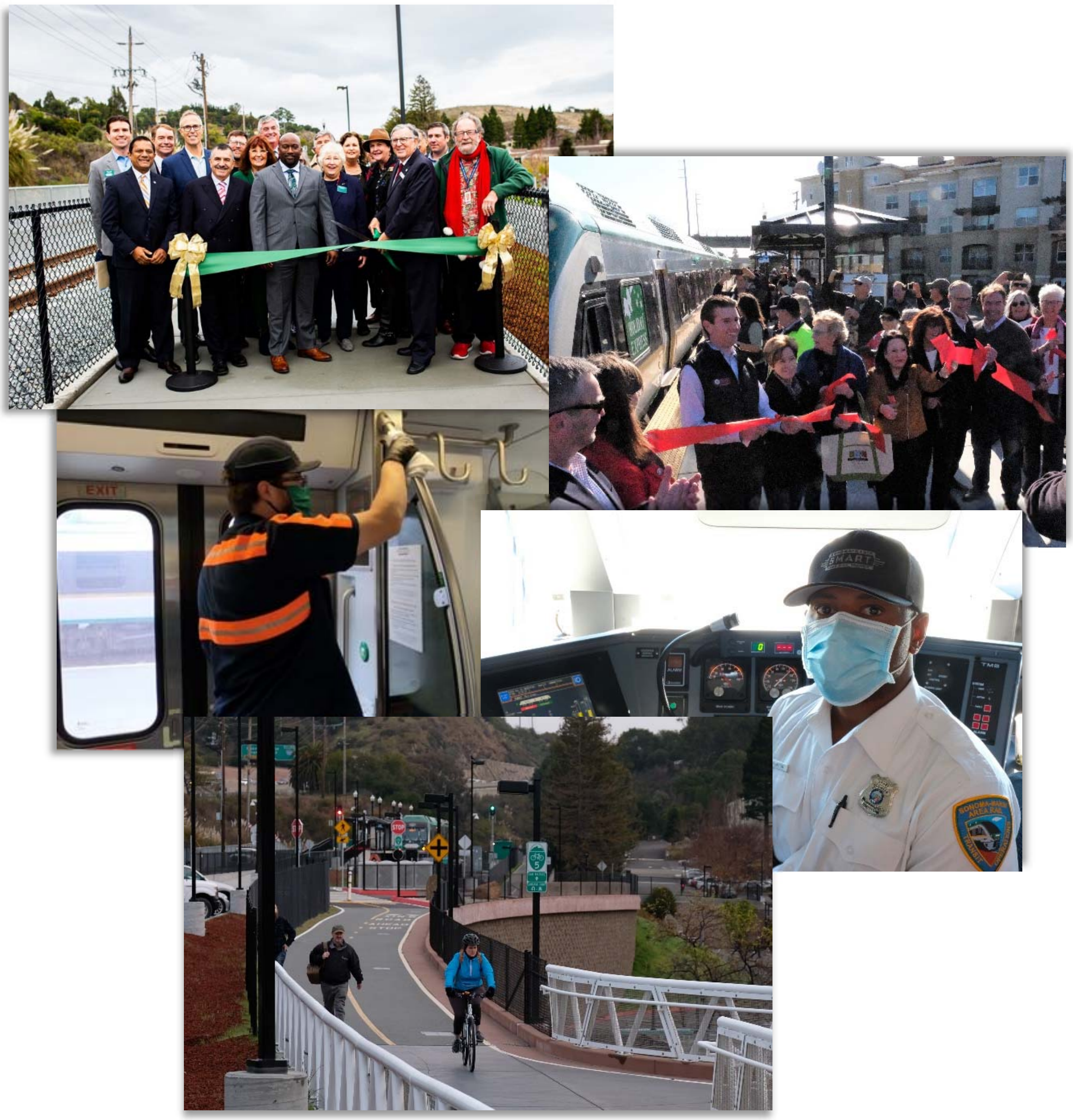
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For Fiscal Year Ended June 30, 2020

Petaluma, California

SMART || SONOMA-MARIN AREA RAIL TRANSIT

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SONOMA-MARIN AREA RAIL
TRANSIT DISTRICT
PETALUMA, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

PREPARED BY THE FINANCE DEPARTMENT

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2020

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5401 Old Redwood Highway
Suite 200
Petaluma, CA 94954
Phone: 707-794-3330
Fax: 707-794-3037
www.sonomamarintrain.org

November 10, 2020

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Sonoma-Marin Area Rail Transit District (SMART or the District) for the Fiscal Year July 1, 2019 through June 30, 2020.

The report consists of three sections:

- The Introduction section includes this letter of transmittal, SMART's organization chart and officials, a map of the SMART system and certificates of achievement.
- The Financial section includes the report of the independent auditors, the Management's Discussion and Analysis (MD&A), SMART's basic financial statements and the accompanying notes to the financial statements. Required supplementary information other than the MD&A is also included in the financial section.
- The Statistical section includes selected financial and demographic information, on a multi-year basis.

We contracted with Maze and Associates to perform the audit of our financial statements. The purpose of the independent audit is to offer reasonable assurance that the financial statements are free of material misstatement. The independent auditor's report can be found at the beginning of the financial section of this report.

This report was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA) and is in conformance with Generally Accepted Accounting Principles (GAAP). Responsibility of the accuracy, completeness, and fairness of the data and clarity of the presentation, including all disclosures, rests with the management of SMART. To the best of our knowledge, this report is complete and accurate in all material respects, and is reported in a manner that fairly presents SMART's financial position.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements. This narrative is provided in the Management's Discussion and Analysis (MD&A), and is meant to complement this letter of transmittal. This letter contains GFOA recommended elements that provide the reader with information about the District, its surrounding environment, its operations and financial controls.

PROFILE OF THE ORGANIZATION

SMART is a transit agency created by the State of California to oversee the development, implementation and operation of passenger rail service in Sonoma and Marin Counties. Since its creation, the District has been working to build both a rail transit system as well as an accompanying multi-use pathway. SMART began passenger service in 2017 to 10 stations along 43 miles between Airport Boulevard in Sonoma County to San Rafael in Marin County. In December 2019, SMART expanded passenger service by adding two new stations and two more miles South in Marin. These new stations allow passengers to reach Larkspur and the regional ferry connection to San Francisco and provide direct access to Downtown Novato. SMART currently operates and maintains 16 miles of adjacent bike and pedestrian pathway connecting to the rail stations.

SMART is governed by a 12-member Board of Directors, made up of two Supervisors from each County, three City Council members from each County and two representatives from the Golden Gate Bridge, Highway and Transportation District. The Board has the authority under State law to own, operate, manage, and maintain a rail system within the territory of the SMART District.

SMART is primarily funded by a one-quarter of one cent sales tax approved by voters in the SMART District in 2008, a District which encompasses the two Counties of Sonoma and Marin. Since opening day, SMART has carried 1.9 million passengers, with weekly ridership at the start of 2020 averaging 16,309. Approximately 11% of riders bring their bicycles onboard with them.

LOCAL AND REGIONAL ECONOMY

Marin and Sonoma Counties are home to a mix of tourism, recreation, agriculture, and industry. The major population centers of Marin and Sonoma are located along the Highway 101 corridor and the parallel SMART rail line. More than 75% of commuters in the North Bay travel either within or between the two counties to get to work. SMART surveys show that its growing ridership has been generated by commuters who formally drove to work in private automobiles.

SMART's finances have relied on the strength of its voter-approved sales tax revenues which provides more than 80% of SMART's annual income. Sales tax revenue is directly linked to local employment rates and median incomes which, prior to the COVID-19 pandemic, were strong. The District is home to a fairly wealthy taxpayer base, with a weighted per capita income base of $88,353 compared to California's $63,720 according to latest available reports from the U.S. Bureau of Economic Analysis (BEA). SMART also receives significant funding from the State of California for its transit services ultimately derived from State fuel and sales taxes. Prior to the shelter-in-place orders associated with the Pandemic, unemployment rates for Marin and Sonoma were less than 3% compared to 4.3% for the State of California.

The global COVID-19 pandemic has provided a challenge to every economy, government and transit service, and SMART has been no exception. On June 8, 2020, the National Bureau of Economic Research ("NBER") declared that a recession in the United States commenced in February 2020. Reportedly, this was the fastest that NBER has declared any recession since the group began formal announcements in 1979. Local unemployment rates in Marin and Sonoma rose to 6.8% and 7.5% respectively by August. This, plus the closure of numerous business as a result of the pandemic, affected the District and its finances immediately, leading to a 5.5% drop in sales tax revenues over the prior year and a 24.5% reduction in fare revenue. Further impacts are anticipated in the months ahead, although the Districts impacts appear to be more mild than Statewide averages. Preliminary estimates from SMART economic consultant project an additional decline of 5% in sales tax revenues for the Fiscal Year 2020-21 Year. Further discussion of the operational and budgetary impacts is provided in the section below.

DISTRICT ACTIVITIES in Fiscal Year 2019-20

SMART Rail Service

SMART passenger service runs from the newly constructed Larkspur Station in Marin to the Airport Boulevard Station in Sonoma and is accompanied by multiple SMART pathway segments. Also added to the system in December was the Downtown Novato Station, funded by the City of Novato, bringing passengers directly to its downtown core. Following the addition of these two new stations, SMART expanded service to 38 trips a day in addition to the four weekend service trips already provided. In Fiscal Year 2020, SMART carried 716,847 passengers, 69,103 bicycles and 2,388 passengers in wheelchairs.

Operational Impacts of COVID-19 on the District.

SMART modified service in March 2020 due to the pandemic, with weekend service cancelled starting March 21 and weekday service reduced first by 4 trips (down to 34 trips from 38) on March 23rd, then by another 18 trips, (down to 16), on April 6. The first week of June saw a weekday average ridership of 336 compared to pre-pandemic average of 2,976 in February. Ridership has only increased marginally since then, increasing 23% to 412 average weekday riders during August. SMART's total Fiscal Year 2020 ridership, including four months of the COVID-19 pandemic, was down 21% overall. Fare payments through the Clipper and SMART App systems were down 24.5% in Fiscal Year 2020, due to the COVID-related ridership losses and a variety of Free Fare and programs offered earlier in the Fiscal Year. SMART proactively implemented additional cleaning, sanitation and safety procedures with minimal cost impacts in order to ensure the continued safety of its staff and the riding public.

Recognizing the impacts that these ridership and economic changes were having on SMART's financial stability, the District moved to review its Fiscal Year 2019-20 budget and froze all non-essential hiring, eliminated non-essential purchases, and completed closeout of multiyear construction contracts. These efforts allowed SMART to achieve $10 million in one-time savings over amounts budgeted for the Fiscal Year. In addition, SMART received $14.95 million in federal CARES Act funding that could be used to support operations during the pandemic, of which $8 million was utilized in Fiscal Year 2020. This was utilized to support existing staff and operations and allowed the District to avoid layoffs. The District also proposed spending reductions of $7.2 million for the Fiscal Year 2020-21 budget associated with the elimination of non-essential contracts and an assumed reduction in service levels to 26 daily trips on an ongoing basis after businesses are allowed to reopen and ridership returns. As of the date of this report, SMART has not resumed service levels to the 26 daily trips budgeted as it waits for both health orders and resulting ridership to indicate the need for higher service levels.

Capital Improvement Projects

In addition to the new 2.1-mile extension from San Rafael to Larkspur and the Downtown Novato station, a three-mile extension North to Windsor is under construction with funding from the State of California and the Federal Railroad Administration. Funding from Regional Measure 3 that was anticipated for the project is facing a new legal challenge that will delay the opening of the new Station from its planned late 2021 completion. In June of 2020, the Board of Directors authorized using $8 million in proceeds from a pending sale of a Downtown Petaluma SMART property to fund the design and construction of a second station in North Petaluma at Corona Road and N. McDowell Boulevard. SMART is currently in the early phases of designing an additional 6.1 miles of Pathway in Petaluma, Rohnert Park and Santa Rosa in Sonoma County.

During Fiscal Year 2019-20 there was also continued progress on capital projects in support of operations, such as the installation and use of a wheel-truing machine to reduce rail car maintenance costs and impacts on service. Another ongoing initiative was additional funding for more pedestrian path of travel improvements at SMART crossings for enhanced safety at certain at-grade crossings.

OTHER FINANCIAL INFORMATION

Internal Controls

The District's financial reporting system and business processes have been designed with an emphasis on the importance of strong but reasonable internal financial controls, including the proper recording of revenues and expenditures and maintenance of budgetary control for the allocation of available resources. Existing internal controls are monitored and changes are implemented as needed as the District grows in size and complexity. These controls are designed to provide reasonable, but not absolute, assurance that assets are safeguarded against waste, fraud, and non-authorized use and the District's financial records can be relied upon to produce financial statements free of any material misstatements and in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal controls should not exceed benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgements by management. We believe that the District's internal accounting controls achieve that goal.

Financial Policies and Practices

Every 5 years, SMART completes a Strategic Plan identifying future operational needs and capital plans. In the first half of Fiscal Year 2019-20, SMART completed a Strategic Plan that identified a future revenue and expenditure imbalance that could be addressed by debt refinancing or service reductions. The Board approved a plan to extend SMART's 20-year sales tax in order to provide for significant reductions in annual debt costs that would have addressed the imbalance. However, that measure failed to obtain the required 67% in the March 2020 election. An effort to achieve debt service savings within the confines of SMART's existing sales tax revenue was completed subsequent to the close of the Fiscal Year that will bring average overall debt service reductions of $3.47 million annually as a result of the historically low rates available as a result of the recession.

SMART's annual budget process, which takes place during the months of May and June, this year proactively addressed both the loss of the ballot measure that would have allowed SMART to achieve even greater debt service reductions and the COVID-19 impacts to SMART revenues and operations. That effort resulted in significant changes to SMART's expenditures (as previously discussed), while at the same time preserving minimum operating reserves for the foreseeable future. As part of the budget approval for the new Fiscal Year 2020-21, the SMART Board adopted a minimum reserve policy of 25% of operating expenses as a way to prepare for unknown future challenges in revenue and expense.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to SMART for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This was the seventh consecutive year that SMART has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for another certificate.

CONCLUSION

The financial statements presented here show the magnitude of the public assets that have resulted from the voters' approval of the SMART sales tax measure in 2008. Measure Q revenues have made possible not only the construction of a world-class transit system, but also the ongoing operation and maintenance of that system in the future. Certainly, the challenges of the COVID pandemic will continue into the coming year, however, significant budget reductions and debt refinancing have been achieved to address these challenges. With continued leadership from the Board, ongoing vigilance on maintaining necessary reserves, and planning for future financial challenges, SMART's current and future operations will remain on solid footing.

ACKNOWLEDGEMENTS

The preparation of this report was made possible by the combined efforts of the SMART finance staff and we would like to thank them for their hard work and dedication. We would also like to thank Maze and Associates for their contributions. In addition, we would like to express our appreciation for the continued support and commitment of the Board of Directors for their interest and support in planning and conducting the District's financial operations.

Erin McGrath
Chief Financial Officer

Farhad Mansourian
General Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sonoma-Marin Area Rail Transit District
California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Sonoma-Marin Area Rail Transit District
Fiscal Year 2019-20 Principal Officials

Eric Lucan, Chair
Transportation Authority of Marin

Barbara Pahre, Vice Chair
Golden Gate Bridge, Highway and Transportation District

Judy Arnold
Marin County Board of Supervisors

Damon Connolly
Marin County Board of Supervisors

Debora Fudge
Sonoma County Mayors' and Councilmembers

Patty Garbarino
Golden Gate Bridge, Highway and Transportation District

Dan Hillmer
Marin County Council of Mayors and Councilmembers

Joe Naujokas
Sonoma County Mayors' and Councilmembers Association

Gary Phillips
Transportation Authority of Marin

David Rabbitt
Sonoma County Board of Supervisors

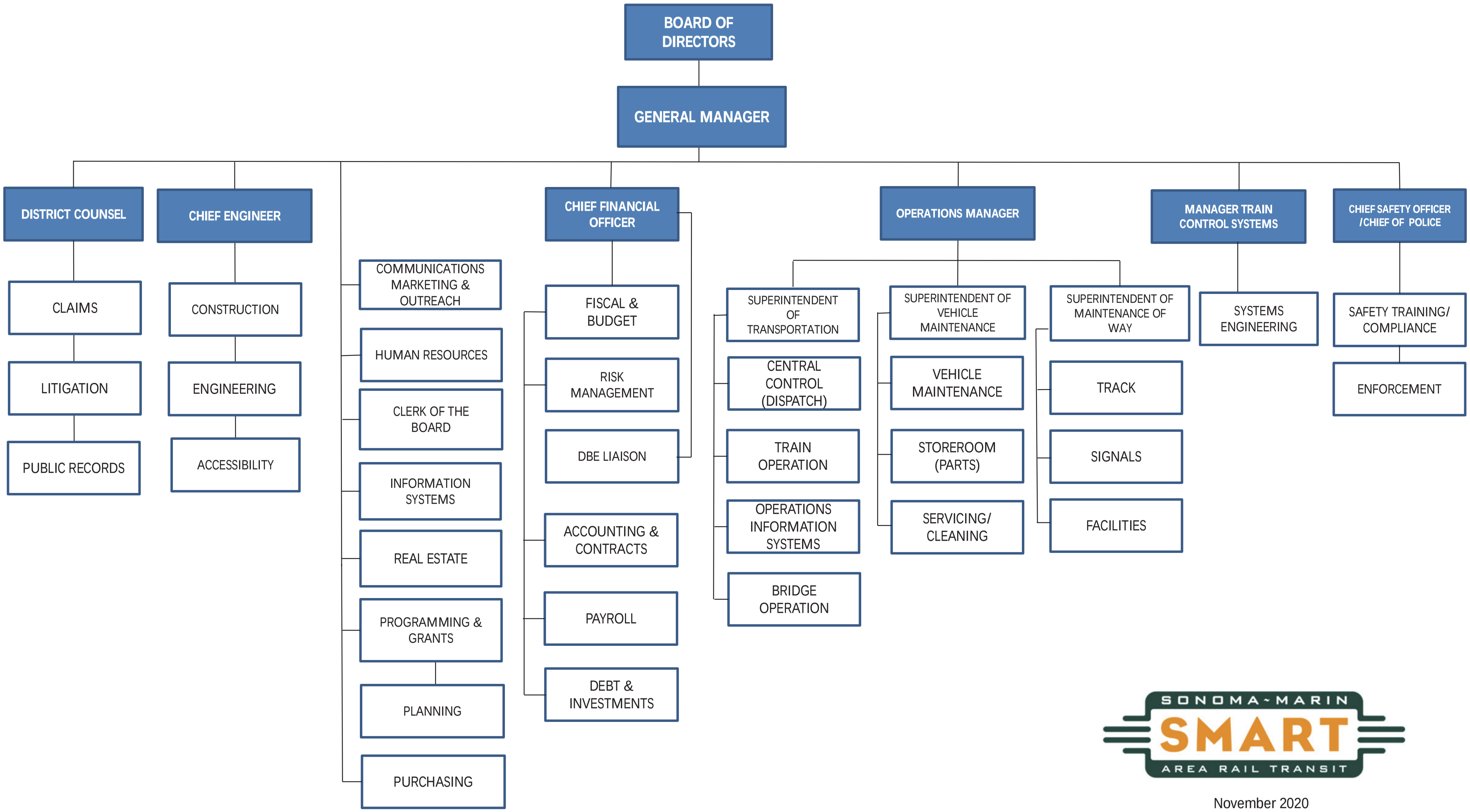
Chris Rogers
Sonoma County Mayors' and Councilmembers Association

Shirlee Zane
Sonoma County Board of Supervisors

Farhad Mansourian
General Manager

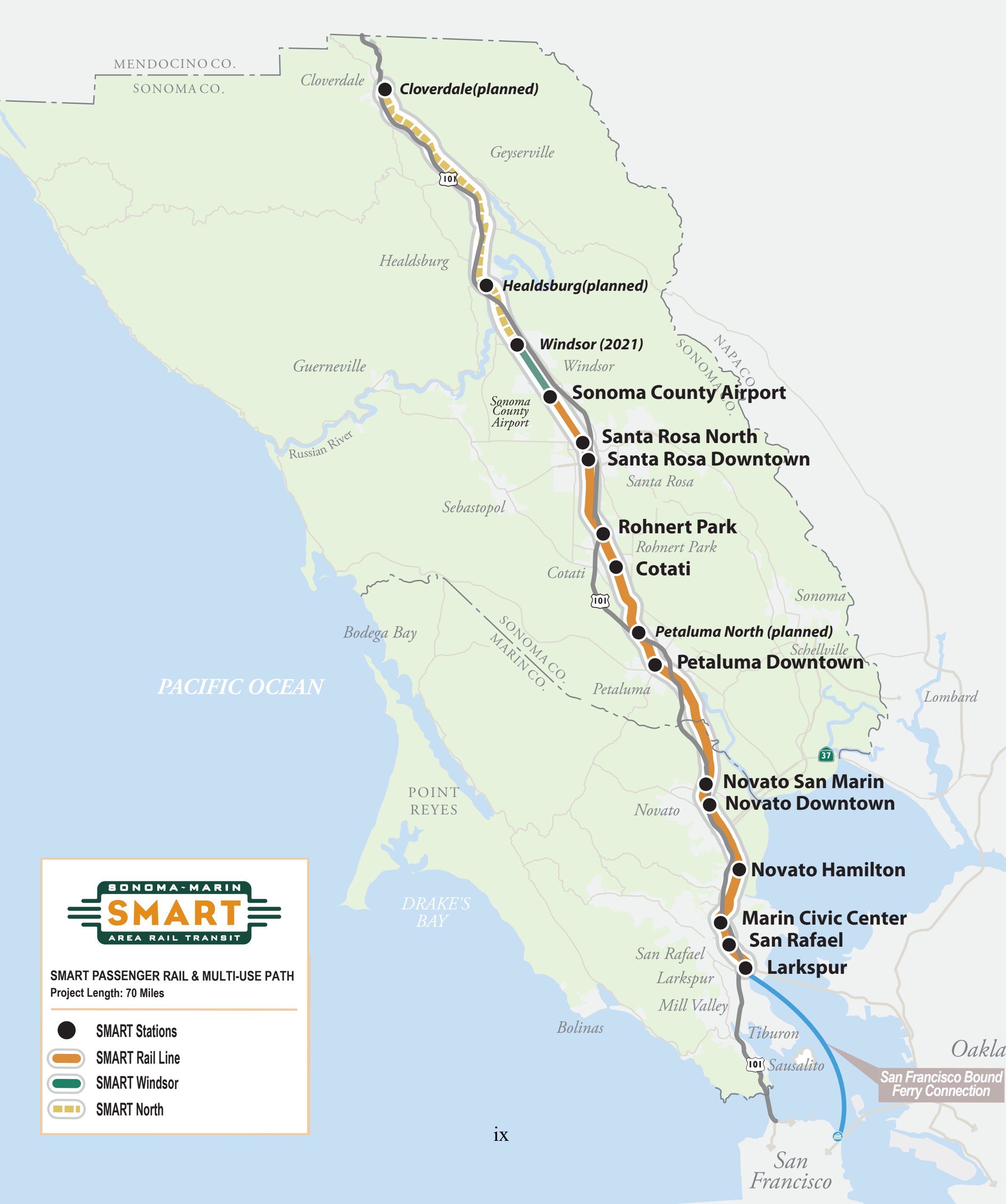
Erin McGrath
Chief Financial Officer

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
Organization Chart



SONOMA-MARIN SMART AREA RAIL TRANSIT

November 2020


MENDOCINO CO.
SONOMA CO.
Cloverdale
Cloverdale(planned)
Geyserville
Healdsburg
Healdsburg(planned)
Windsor (2021)
Windsor
Guerneville
Sonoma County Airport
Sonoma County Airport
SONOMA CO.
NAPA CO.
Russian River
Santa Rosa North
Santa Rosa Downtown
Santa Rosa
Sebastopol
Rohnert Park
Rohnert Park
Cotati
Cotati
Sonoma
Bodega Bay
SONOMA CO.
MARIN CO.
Petaluma North (planned)
Schellville
Petaluma Downtown
Petaluma
Lombard
PACIFIC OCEAN
37
POINT REYES
Novato San Marin
Novato Downtown
Novato
Novato Hamilton
DRAKE'S BAY
Marin Civic Center
San Rafael
San Rafael
Larkspur
Larkspur
Mill Valley
Bolinas
Tiburon
Sausalito
101
Oakla
San Francisco Bound Ferry Connection
San Francisco
SONOMA-MARIN SMART AREA RAIL TRANSIT
SMART PASSENGER RAIL & MULTI-USE PATH
Project Length: 70 Miles
SMART Stations
SMART Rail Line
SMART Windsor
SMART North

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Sonoma-Marin Area Rail Transit District
Petaluma, California

Report on Financial Statements

We have audited the accompanying financial statements of the Sonoma-Marin Area Rail Transit District (District), California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 District'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 District'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 opinion.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2020, and the respective changes in financial position and cash flows 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 and other Required Supplementary Information listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
November 10, 2020

As management of the Sonoma-Marin Area Rail Transit District (SMART or the District), we offer readers of SMART's financial statements this narrative overview and analysis of the financial activities of SMART for the year ended June 30, 2020. We encourage readers to combine the information presented here with SMART's basic financial statements and the accompanying notes to the basic financial statements.

Fiscal Year 2020 Financial Highlights

- SMART's financial activity for the year ended June 30, 2020 reflects, on the revenue side, early COVID-19 impacts on SMART's revenues, including a $1 million reduction in fare revenue and a $2.3 million reduction in sales tax revenue.
- SMART received its first federal revenues for operations as a result of the federal CARES Act which provided $8 million in operating support for Fiscal Year 2019-20, allowing SMART to avoid layoffs and continue operating reduced services.
- Operating expenses, net of depreciation, increased 3.4% over the prior year primarily due to increased labor costs associated with cost-of-living increases and benefits. This amount was lower than budgeted increases due to midyear savings strategies that froze vacant positions following the COVID-19 shelter in place orders.
- Capital assets increased by $17.8 million (net of depreciation) due to continued construction activity during the year.
- Assets of SMART exceeded its liabilities at the close of the year ended June 30, 2020 by $497.7 million (net position). Of this amount, $99.5 million is unrestricted.
- SMART's net position increased $30.1 million during the year ended June 30, 2020, due to continued investment into capital assets related to both rail and pathway construction.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SMART's basic financial statements which are comprised of financial statements and the notes to the basic financial statements. SMART provides its financial information utilizing business-type or enterprise fund reporting. This type of fund reporting is used for funds whose activities are financed with bonds secured solely by a pledge of net revenues from fees or charges of the activity and for which fees are designed to recover costs, as a matter of policy. These requirements apply to SMART and, furthermore, enterprise fund accounting is employed by most government transit districts.

Basic Financial Statements

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

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

The statement of revenues, expenses, and changes in net position presents information showing how SMART'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected rental revenue and earned but unused vacation leave).

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 13-31 of this report.

Analysis of the Financial Statements

The financial statements provide both short-term and long-term information about the District's overall financial condition. This analysis addresses the financial statements of the District as a whole. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. SMART's net position was $497,708,577 on June 30, 2020.

The largest portion of SMART's net position (80%) reflects its investment in capital assets (e.g., land, stations, track and crossings, pathway, bridges and tunnels). SMART uses these capital assets to provide passenger rail services to its customers and a multiuse pathway for the general public; consequently, these assets are not available for future spending.

Statement of Net Position

	2020	2019	2020-2019 Change
Current and Other Assets	$ 99,689,100	$ 97,455,509	$ 2,233,591
Capital assets	561,171,311	543,330,649	17,840,662
Total Assets	660,860,411	640,786,158	20,074,253
Deferred outflows of resources	2,747,500	2,126,418	621,082
Current liabilities	25,904,500	23,905,407	1,999,093
Long-term liabilities	139,747,844	151,182,451	(11,434,607)
Total Liabilities	165,652,344	175,087,858	(9,435,514)
Deferred inflows of resources	246,990	260,112	(13,122)
Net position:			
Net investment in capital assets	398,251,858	403,239,649	(4,987,791)
Unrestricted	99,456,719	64,324,957	35,131,762
Total net position	$ 497,708,577	$ 467,564,606	$ 30,143,971

SMART's net position at the end of fiscal year 2020 increased by $30,143,971 from the prior fiscal year. This increase is primarily the result of SMART continuing to invest its own revenues and outside grants into capital assets which in the past year included two new stations, safety improvements, the Larkspur extension project, a new Novato Downtown station, acceptance of new rail cars, and new extensions of the multiuse pathway. Current and other assets at June 30, 2020, increased by $2,233,591. The increase was primarily due increased revenue from property transactions. Current liabilities increased from $23,905,407 on June 30, 2019 to $25,904,500 on June 30, 2020, which was primarily due to increased contracted payables at year-end related to SMART's capital asset construction activity.

Statement of Revenues, Expenses and Changes in Net Position

	2020	2019	2020-2019 Change
Operating Revenues:			
Fare Revenues	$3,090,458	$4,094,539	(1,004,081)
Other operating revenues	874,657	942,336	(67,679)
Total Operating Revenues	3,965,115	5,036,875	(1,071,760)
Operating Expenses:			
Public transportation - rail/pathway			
Salaries and Employee benefits (non-capital)	19,295,606	18,453,125	842,481
Services and supplies	11,624,479	11,336,573	287,906
Depreciation	22,150,111	19,033,577	3,116,534
Loss on Impairment of assets	-	-	0
Other charges	100,000	203,883	(103,883)
Total Operating Expenses	53,170,196	49,027,158	4,143,038
Operating (Loss)	(49,205,081)	(43,990,283)	(5,214,798)
Non-Operating Revenues (Less Expenses)			
Sales/Use taxes	38,978,630	41,241,140	(2,262,510)
State operating assistance	7,516,612	5,000,756	2,515,856
Federal Operating Assistance	8,058,183	-	8,058,183
Investment earnings	338,227	1,974,246	(1,636,019)
Miscellaneous revenue	1,438,087	4,174,454	(2,736,367)
Capital expenses passed through to other agencies	(918,506)	(770,156)	(148,350)
Interest expense	(5,273,801)	(5,591,608)	317,807
Total Non-Operating Revenues (Net):	50,137,432	46,028,832	4,108,600
Capital Grants	29,211,620	37,345,323	(8,133,703)
Change in Net Position	30,143,971	39,383,872	(9,239,901)
Net Position, beginning of year as previously reported	467,564,606	428,180,734	39,383,872
Net Position, end of year	$497,708,577	$467,564,606	$30,143,971

Fiscal Year 2020 Revenues

SMART revenues are categorized as either operating or non-operating.

- Operating revenues of $3,965,115 consisting of fare, advertising, parking and other revenues directly generated by operations and ownership of property within the District. As discussed in the Transmittal letter, these revenues have been impacted by the COVID-19 Pandemic health orders and were $1 million lower than the prior year.
- Non-operating revenues (less expenses) of $50,137,432 are comprised of sales tax revenue to SMART, state and federal operating assistance, and miscellaneous revenue. Sales tax, SMART's single largest ongoing source of revenue, decreased 5.5% or $2.26 million (net of fees) over the previous year due to the impacts of the Pandemic. SMART received $8 million in CARES federal operating assistance which was designed to offset revenue losses and support operations through the duration of the COVID-19 impacts.
- Capital grants of $29,211,620 are $8,133,703 lower than the year ended June 30, 2019. The decrease is related to reduced construction activity following completion of the Larkspur extension, the new Novato Downtown Station, and new multiuse pathways.
- Miscellaneous revenue decreased by $2,736,367 due to the primarily one-time nature of that revenue which fluctuates from year to year.

Fiscal Year 2020 Expenses

- SMART had operating expenses of $53,170,196, tied to salaries, benefits, other services and supplies. This also includes $22,150,111 in depreciation expense.
- Salaries and benefits increased over the year ended June 30, 2019, by $842,481, due to cost-of-living and benefit expense increases.
- Services and supplies increased over the year ended June 30, 2019 by $287,906, a 2.5% increase tied to contracted increases in services and inflation. SMART also purchased additional cleaning supplies, personal protective equipment and other safety related materials to continue to operate during the pandemic.
- Other charges of $100,000 represent a decrease over the prior year of $103,883 in legal settlements.

Capital Assets

SMART's capital assets, as of June 30, 2020 are $561,171,311 (net of accumulated depreciation) which is an increase of $17,840,662 over June 30, 2019. Assets grew in conjunction with continued construction of the rail and pathway and payments for rail cars. SMART assets include land, construction in progress, infrastructure (tracks/rails, crossings, bridges, fencing, tunnels, road crossings and pathway improvements), buildings and improvements, and equipment.

Capital Assets

	2020	2019	2020 - 2019 Change
Land	$ 43,532,414	$ 43,532,414	$ -
Intangible Assets (Non-Amortizable)	20,770	20,770	-
Infrastructure	498,244,969	428,720,262	69,524,707
Revenue Vehicles	59,603,699	42,833,647	16,770,052
Buildings and improvements	24,868,302	24,868,302	-
Construction in progress	13,519,021	65,324,720	(51,805,699)
Equipment	9,036,864	3,535,151	5,501,713
Intangible Assets	387,672	387,672	-
Accumulated depreciation	(88,042,400)	(65,892,288)	(22,150,112)
Total capital assets, net of depreciation	$ 561,171,311	$ 543,330,649	$ 17,840,662

Additional information on SMART's capital assets can be found in Note 3 of the notes to the basic financial statements.

Debt

SMART had $145,846,953 in bonds outstanding and unamortized bond premium at June 30, 2020 compared to $157,163,502 on June 30, 2019. Additional information on SMART's long-term debt can be found in Note 4. In October 2020, subsequent to the end of Fiscal Year 2019-20, SMART paid off the remaining balance of this debt by placing the proceeds of a new 2020 Debt in an irrevocable trust to provide for all future debt service payment on the old bonds.

Economic and Other Factors

Economy

SMART operations rely directly on the strength of its designated Measure Q sales and use tax receipts which provides more than 75% of its operating revenue on an ongoing basis. The strength of this revenue source is dependent on the economic health of the two counties of the SMART District, particularly employment rates and job growth. As a result of a recent Supreme Court decision applying sales tax to more online transactions (*South Dakota v. Wayfair*, 2018), SMART received an additional $1.4 million in revenues that otherwise would not have been collected particularly in light of the closures of local business. As discussed in the Introductory Section in more detail, the economy of the District during the past year was strong prior to the COVID-19 pandemic, and its fare and sales tax revenues were growing. However, those revenues have suffered since the shelter-in-place orders were implemented in March affecting employment, sales tax revenues and SMART's service to the District. As further outlined in the Transmittal Letter, SMART moved quickly to reduce expenses in the face of these economic pressures and has benefitted from federal relief funds which, combined with budget reductions, have stabilized the finances of the District. It is impossible to accurately project the length or timing of the economic recovery, however SMART continues to hold significant operating reserves projected to be available for the foreseeable future.

Other Factors

SMART continues to manage significant capital projects and thus holds multi-year contracts with several independent contractors. The Larkspur extension project, which opened for service in December of 2019, was in the final process of closeout at the end of Fiscal year 2019-20. Several new pathway extensions in the County of Sonoma are in design and will be constructed in 2021. A new 3-mile Windsor extension project is also underway but will be delayed due to legal challenges to Regional Measure 3 which provides 62% of its funding. These capital projects are primarily grant-funded in nature and do not rely on sales tax or SMART's other revenue sources. At June 30, 2020, SMART's total outstanding commitments under these and other construction-related contracts were approximately $57 million.

Request for Additional Information

This financial report is designed to provide a general overview of SMART's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sonoma-Marin Area Rail Transit District, Chief Financial Officer, 5401 Old Redwood Highway, Suite 200, Petaluma, CA 94954.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
Current Assets	
Cash and cash equivalents (Note 2)	$38,635,854
Restricted cash, cash equivalents, and investments with trustee (Note 2)	23,044,126
Due from other governments	14,720,897
Other receivables	17,910,075
Deposits with others	2,053,528
Inventory	1,655,419
Prepaid expenses	1,669,201
Total current assets	99,689,100
Noncurrent Assets	
Capital assets (Note 3):	
Non-depreciable:	
Land	43,532,414
Construction in progress	13,519,021
Intangible assets	20,770
Depreciable (net of accumulated depreciation):	
Infrastructure	422,329,029
Buildings and improvements	20,982,737
Equipment and vehicles	6,271,719
Revenue vehicles	54,265,211
Intangible assets	250,410
Total capital assets, net	561,171,311
Total noncurrent assets	561,171,311
Total Assets	660,860,411
DEFERRED OUTFLOWS OF RESOURCES	
Pension related (Note 5)	2,227,704
OPEB related (Note 6)	519,796
Total Deferred Outflows of Resources	2,747,500
LIABILITIES	
Current Liabilities	
Accounts payable and other current liabilities	11,796,676
Unearned revenue	11,977
Interest payable	2,280,283
Compensated absences - due within one year (Note 1H)	1,250,564
Long-term debt - due within one year (Note 4)	10,565,000
Total current liabilities	25,904,500
Noncurrent Liabilities	
Compensated absences (Note 1H)	219,345
Net post-employment benefits liability (Note 6)	3,074,676
Net pension liability (Note 5)	1,130,823
Long-term debt (Note 4)	135,281,953
Other noncurrent liabilities	41,047
Total noncurrent liabilities	139,747,844
Total Liabilities	165,652,344
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 5)	45,542
OPEB related (Note 6)	201,448
Total Deferred Inflows of Resources	246,990
NET POSITION (Note 1L)	
Net investment in capital assets	398,251,858
Unrestricted	99,456,719
Total Net Position	$497,708,577

See accompanying notes to basic financial statements

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES	
Fare revenues	$3,090,458
Other operating revenues	874,657
Total operating revenues	3,965,115
OPERATING EXPENSES	
Public transportation - rail/pathway:	
Salaries and employee benefits	20,157,177
Capitalized employee costs	(861,571)
Services and supplies	11,624,479
Depreciation (Note 3)	22,150,111
Other charges	100,000
Total program operating expenses	53,170,196
Operating loss	(49,205,081)
NON-OPERATING REVENUES (EXPENSES)	
Sales/Use taxes	38,978,630
State operating assistance	7,516,612
Federal operating assistance	8,058,183
Investment earnings	338,227
Miscellaneous revenue	1,438,087
Capital expense passed through to other agencies	(918,506)
Interest expense	(5,273,801)
Total non-operating revenues, net	50,137,432
Income before capital grants	932,351
CAPITAL GRANTS	
State of California	20,048,928
State of Good Repair	262,565
Metropolitan Transportation Commission	224,051
Sonoma County Transportation Authority- Measure M	22,632
Federal	2,609,220
Other governmental agencies	4,716,659
Donated Assets	1,327,565
Total capital grants	29,211,620
Change in net position	30,143,971
NET POSITION	
Beginning of Year	467,564,606
End of Year	$497,708,577

See accompanying notes to basic financial statements

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$3,090,458
Payment to others	(7,262,888)
Payments to suppliers for goods and services	(11,061,116)
Payments to and on behalf of employees	(18,396,668)
Net cash provided (used) by operating activities	(33,630,214)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income received	433,642
Net cash provided by investing activities	433,642
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Sales tax received	39,249,135
State operating assistance	6,914,022
Federal operating assistance	8,058,183
Net cash provided by noncapital and financing activities	54,221,340
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(38,201,393)
Labor costs related to capital projects	(861,571)
Capital grants received restricted for capital purposes	25,608,658
Donated Assets	1,327,565
Cash paid on projects on behalf of other governments	(918,506)
Cash receipts for third party infrastructure	998,437
Principal payments on long-term debt	(9,316,724)
Interest paid on capital debt	(7,430,876)
Net cash provided (used) by capital and related financing activities	(28,794,410)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,769,642)
CASH AND INVESTMENTS AT BEGINNING OF YEAR	69,449,622
CASH AND INVESTMENTS AT END OF YEAR	$61,679,980
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and Cash Equivalents	$38,635,854
Restricted cash, cash equivalents, and investments with trustee	23,044,126
Total cash and cash equivalents	$61,679,980
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating loss	($49,205,081)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	22,150,111
Changes in operating assets and liabilities:	
Prepaid expenses	(281,430)
Accounts receivable	(8,137,545)
Accounts payable and other accrued liabilities	944,793
Compensated absences	193,832
Net post-employment benefits obligation	537,712
Net pension liability and related deferred outflow/inflow of resources	167,394
Net cash provided (used) by operating activities	($33,630,214)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Amortization of premiums	$1,881,549
Inventory	1,307,386

See accompanying notes to basic financial statements

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The Sonoma-Marin Area Rail Transit District (SMART or the District) was formed in January 2003 by provisions of the Sonoma-Marin Area Rail Transit District Act, as successor to the Sonoma-Marin Area Rail Transit Commission and the Northwestern Pacific Railroad Authority in the California Counties of Sonoma and Marin. Its purpose, as defined by the State, is to provide for a unified, comprehensive institutional structure for the ownership and governance of a passenger rail system within the Counties of Sonoma and Marin that shall operate in concert with existing freight service that operates upon the same rail line and serves the Counties of Humboldt, Marin, Mendocino, Napa and Sonoma. The District also owns and is constructing additional portions of a multiuse non-motorized pathway within its right-of-way.

SMART is governed by a 12-member Board of Directors consisting of two supervisors each from the counties of Marin and Sonoma, two members from the Golden Gate Bridge, Highway and Transportation District, and six members representing jurisdictions within the SMART District.

B. Fund Accounting

SMART uses a proprietary (enterprise) fund to account for its activities. An enterprise fund may be used to report any activity for which a fee is charged to external users for goods or services. Enterprise funds are required for any activity whose principal external revenue sources meet any of the following criteria: (1) issued debt is backed solely by fees and charges, (2) the cost of providing services for any activity (including capital costs such as depreciation or debt service) must be legally recovered through fees or charges, or (3) if the government’s policy is to establish activity fees or charges designed to recover the cost of providing services.

C. Basis of Accounting

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. All assets and liabilities associated with the operation of the District are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recorded when earned and reported as non-operating revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges for services. Operating expenses for the District include expenses relating to the operating and maintaining passenger railway as well as administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash Equivalents

The District considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The District's cash and investments in the Sonoma County Treasury Pool (Treasury Pool) are, in substance, demand deposits and are considered cash equivalents.

E. Investments

SMART measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, using observable market transactions or available market information.

F. Restricted Cash and Investments with Trustee

Assets whose use is restricted to specific purposes by bond indenture or otherwise are segregated on the statement of net position. These assets are primarily restricted for direct project-related expenses and debt service purposes. Bond interest and redemption represent funds accumulated for debt service payments due in the next twelve months and reserve funds set aside to make up potential future deficiencies. A bond trustee holds these funds.

G. Receivables

Receivables consist of amounts owed to SMART by other governmental agencies and the public. Amounts due from other governments are considered fully collectible. Accounts receivable from the public include reimbursements from other entities for services provided or for use of SMART owned assets. An allowance for doubtful accounts receivable is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection may not occur.

H. Compensated Absences

It is SMART's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay reported in the basic financial statements is accrued when earned. Twenty-five percent of sick leave is payable on termination and is accrued as it is earned.

Employee liabilities as of June 30, 2020 are as follows:

Beginning Balance	$1,276,077
Additions	1,030,519
Payments	(836,687)
Ending Balance	$1,469,909
Current Portion	$1,250,564

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Risk Management

SMART is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which SMART carries commercial insurance, including, but not limited to, comprehensive railroad liability and other relevant liability policies, automobile, employment and workers compensation policies. In addition, SMART has policies and procedures that ensure appropriate insurance coverage and risk procedures for third-party service providers doing work on behalf of the agency. SMART did not settle any claims that exceeded SMART's insurance coverage during the past three years, nor did it reduce its insurance coverage from the prior year.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

K. Deferred Inflow/Outflow of Resources

In additional to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred *outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

L. Net Position

Net Position is classified into two components: 1) net investment in capital assets and 2) unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and is reduced by outstanding debt related to financing the acquisition of capital assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of the capital assets or related debt are included in this component of net position.

- *Unrestricted* – This component of net position consists of resources that do not meet the definitions of "restricted" or "net investment in capital assets."

SMART applies restricted resources first when expenses are incurred for purposes for which both restricted and unrestricted resources are available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

N. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period* - This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement had no material effect on the financial statements.

GASB 95 - *Postponement of the Effective Dates of Certain Authoritative Guidance* - This Statement extended the implementation dates for 15 GASB Statements and Implementation Guides by 1 year or more. Of course, many of the Statements could be early-implemented, as applicable.

NOTE 2 - CASH AND INVESTMENTS

Cash, cash equivalents, and investments are carried at fair value and are categorized as follows at June 30, 2020:

	Available for Operations	Held by Trustee	Total
Cash equivalent:			
Sonoma County Treasury Pool	$18,282,823	$23,044,126	$41,326,949
Deposits	20,353,031		20,353,031
Total Cash and Investments	$38,635,854	$23,044,126	$61,679,980

A. Investments Authorized by the District's Investment Policy

SMART's pooled cash and investments in the Treasury Pool are invested pursuant to investment policy guidelines established by the Sonoma County Treasurer and approved by the Sonoma County Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which Sonoma County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The carrying value of the Treasury Pool approximates fair value.

A copy of the Sonoma County investment policy is available upon request from the Sonoma County Auditor-Controller-Treasurer-Tax-Collector's Office at 585 Fiscal Drive, Room 100, Santa Rosa, California, 95403.

B. Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds. The California Government Code requires these funds to be invested in accordance with SMART's Policy, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Certificates of Deposit	360 days	A-1/ P-1	None	None
Bankers Acceptances	180 days	A-1/ P-1	None	None
Commercial Paper	270 days	A-1	None	None
Money Market Mutual Funds	N/A	AAAm	None	None
Repurchase Agreements	N/A	N/A	None	None
Reverse Repurchase Agreements	N/A	N/A	None	None
Municipal Obligations	N/A	N/A	None	None
General Obligations of States	N/A	A 2/A	None	None
Local Agency Investment Fund (LAIF)	N/A	N/A	None	None
Shares in a common law trust	N/A	N/A	None	None
County Pooled Investment	N/A	N/A	None	None

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the liquidity needed for operations.

D. 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. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

E. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Treasury Pool's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions:

- 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 depository regulated under state law. The fair 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 SMART deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. SMART's cash deposits at the Bank of Marin are secured by at least 110% government issued securities.

- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Concentration of Credit Risk

SMART's Investment Policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. SMART was invested in the Treasury Pool and the Bank of Marin at June 30, 2020. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total Treasury Pool, refer to the 2020 Sonoma County Comprehensive Annual Financial Report.

G. Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District only invests in the Sonoma County Treasury Pool which is exempt from the fair value hierarchy.

NOTE 3 - CAPITAL ASSETS

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their acquisition value at the date of donation. Capital assets include land, construction in progress, infrastructure (tracks & rails, switches, fencing, tunnels, bridges, and road crossings), buildings and improvements, and equipment. It is SMART's policy to capitalize qualifying machinery and equipment with an initial cost of more than $5,000, land and buildings with an initial cost of more than $25,000, infrastructure and intangible assets with an initial cost of more than $100,000, and an estimated useful life in excess of one year.

Infrastructure and buildings and improvements are being depreciated using the straight-line method over their estimated useful lives of 20 to 99 years. Equipment is depreciated using the straight-line method over their estimated useful lives. Computer equipment, which on the financial statements is included in equipment, is being depreciated using the straight-line method over 5 years based on commonly used governmental computer technology standards.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized.

NOTE 3 - CAPITAL ASSETS (Continued)

Capital assets comprised the following at June 30, 2020:

	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Capital assets not being depreciated:					
Land	$43,532,414				$43,532,414
Intangible assets	20,770				20,770
Construction in progress	65,324,720	$37,342,776	($6,153)	($89,142,322)	13,519,021
Total capital assets not being depreciated	108,877,904	37,342,776		(89,142,322)	57,072,205
Capital assets being depreciated:					
Infrastructure	428,720,262			69,524,707	498,244,969
Buildings and improvements	24,868,302				24,868,302
Equipment and vehicles	3,535,151	2,654,150		2,847,563	9,036,864
Revenue vehicles	42,833,647			16,770,052	59,603,699
Intangible assets	387,672				387,672
Total capital assets being depreciated	500,345,034	2,654,150		89,142,322	592,141,506
Less accumulated depreciation for:					
Infrastructure	(57,978,149)	(17,937,791)			(75,915,940)
Buildings and improvements	(3,234,615)	(650,950)			(3,885,565)
Equipment	(1,740,545)	(1,024,600)			(2,765,145)
Revenue vehicles	(2,855,577)	(2,482,911)			(5,338,488)
Intangible assets	(83,403)	(53,859)			(137,262)
Total accumulated depreciation	(65,892,289)	(22,150,111)			(88,042,400)
Total capital assets being depreciated, net	434,452,745	(19,495,961)		89,142,322	504,099,106
Capital assets, net	$543,330,649	$17,846,815			$561,171,311

SMART recognized $22.2 million in depreciation expense for assets previously placed in service.

NOTE 4 – LONG TERM DEBT

In December 2011, the District issued $190,145,000 in variable rate Measure Q Sales Tax Revenue Bonds Series 2011A (Initial Series 2011A Bonds). The Initial Series 2011A Bonds had an initial term of 1% until January 10, 2013. Although the Initial Series 2011A Bonds had a maturity date of March 1, 2029, they had certain provisions that allowed SMART to remarket them. In May 2012, SMART successfully remarketed the Initial Series 2011A Bonds and raised $199,172,032 (Remarketed Series 2011A Bonds). The Remarketed Series 2011A Bonds were issued to finance the construction of the initial phase of a passenger rail system and adjacent multi-use pathway from Santa Rosa, California to San Rafael, California. The fixed rate Remarketed Series 2011A Bonds will bear interest between 2-5% and mature by March 1, 2029.

Long-term debt activity for the year ended June 30, 2020 was as follows:

	Original Issue Amount	Balance June 30, 2019	Retirements	Balance June 30, 2020	Amount due within one year
Bonds Payable:					
Remarketed Series 2011A					
2.00-5.00%, due 3/1/2029	$170,725,000	$146,300,000	$9,435,000	$136,865,000	$10,565,000
Unamortized bond premium	19,371,688	10,863,502	1,881,549	8,981,953	
Total long-term debt, net		$157,163,502	$11,316,549	$145,846,953	$10,565,000

NOTE 4 – LONG TERM DEBT (Continued)

The total projected Measure Q Sales Tax revenue, as projected in the 2019 Measure Q Strategic Plan, is expected to approximate $757 million over the 20 year life of the tax, which is sufficient to repay the estimated debt service, including interest. The Measure Q Sales Tax revenue recognized during the fiscal year ended June 30, 2020 was $38,978,630 whereas debt service on the Measure Q bonds was $14,747,600 for the fiscal year ended June 30, 2020.

The following table presents the District's aggregate annual amount of principal and interest payments required to amortize the outstanding debt as of June 30, 2020:

For The Year Ending June 30	Principal	Interest
2021	$10,565,000	$7,312,600
2022	11,745,000	6,840,850
2023	12,990,000	6,315,000
2024	14,290,000	5,727,750
2025	15,660,000	4,363,750
2026 - 2029	71,615,000	8,887,250
	136,865,000	$39,447,200
Plus: Unamortized Bond Premium	8,981,953	
	$145,846,953	

If an event of default shall occur and be continuing, SMART shall immediately transfer to the Trustee all revenue held by it and the Trustee shall apply all revenue and any other funds then held or thereafter received by the Trustee under any of the provisions of the indenture to protect the interests of the Holders of the Bonds.

On October 7, 2020, the SMART Board of Directors approved the issuance of up to $160 million of Tax Revenue Refunding Bonds (Green Bonds) to refinance the Measure Q Sales Tax Revenue Bonds Series 2011A.

NOTE 5 – PENSION PLANS

A. General Information about the Pension Plans

SMART has contracts with the California Public Employees' Retirement System (CalPERS) for purposes of providing a defined pension benefit plan for its employees, defined by CalPERS as the "Miscellaneous Plan." SMART currently has different pension tiers, depending on an employee's hire date. For all employees hired before June 1, 2012, SMART is part of CalPERS cost-sharing multiple-employer plan known as the "Miscellaneous 2.0% at 55 Risk Pool" whereby the benefit obligations are pooled. There are two tiers of employee within this pool. The CalPERS reporting system does not track Tier 2, which contains three employees, separately. Therefore the liability for this tier is tracked under the Miscellaneous 2.0% at 55 Risk Pool. For employees hired on June 1, 2012, and through December 31, 2012, SMART is part of the "Miscellaneous 2% at 60 Risk Pool." As of January 2013, all new employees were subject to California's Public Employees' Pension Reform Act of 2013 (PEPRA), which mandates a "Miscellaneous 2% at 62 Plan." In December 2016, SMART approved a contract with CalPERS for the creation of a new Safety 2.7% at 57 Plan. SMART has only one full-time position eligible for this Tier. For each pool, an actuarial valuation is performed covering all participants, all employers contribute at the same rate, and all plan assets are available to pay plan benefits pertaining to the employees and retirees of any employer.

Plan Descriptions – All full-time and certain other qualifying employees of the District are eligible to participate in CalPERS, a cost-sharing multiple-employer Miscellaneous or Safety plan (the Plans). CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. CalPERS provides retirement, disability, and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of service. Benefit provisions and other requirements are established by State statute and by District resolution.

Benefits Provided – Through CalPERS, SMART 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 with statutorily reduced benefits. The death benefit provided by SMART is the 1959 Survivor Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

NOTE 5 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous			
	Tier I	**Tier II**	**Tier III**	**PEPRA**
Hire date	Prior to September 1, 2011	On or after September 1, 2011	On or after June 2, 2012	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	55	60	62
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1.426%-2.418%	1.092%-2.418%	1.000%-2.500%
Required employee contribution rates	7%*	7%	7%	6.75%
Required employer contribution rates	9.680%	9.680%	8.081%	6.985%

*SMART pays employee share

	Safety
	PEPRA
Hire date	On or after January 1, 2013
Benefit formula	2.7% @ 57
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	57
Monthly benefits, as a % of eligible compensation	2.0%-2.7%
Required employee contribution rates	12.0%
Required employer contribution rates	13.034%

Contributions – The 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 Plan 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2020, the contributions recognized as part of pension expense for the Plans were as follows:

	Safety	Miscellaneous
Contributions - employer	$27,589	$976,474

NOTE 5 – PENSION PLANS (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plans	$1,126,646
Safety Plans	4,177
	$1,130,823

The District's net pension liability is measured as the proportionate share of the net pension liability of the cost-sharing plan. The net pension liability of each of the Plan is measured as of June 30, 2018, and the total pension liability for each of the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was actuarially determined at the valuation date.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	Miscellaneous
Proportion - June 30, 2018	0.02309%
Proportion - June 30, 2019	0.02813%
Change - Increase (Decrease)	0.00504%
	Safety
Proportion - June 30, 2018	0.00001%
Proportion - June 30, 2019	0.00001%
Change - Increase (Decrease)	0.00000%

For the year ended June 30, 2020, the District recognized a pension expense of $1,171,457.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the Miscellaneous Plan from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$976,474	
Differences between actual and expected experience	78,250	($6,063)
Changes in assumptions	53,724	(19,045)
Net differences between projected and actual earnings on plan investments		(19,697)
Net Change in proportion and differences between actual contributions and proportionate share of contributions	1,073,765	
Total	$2,182,213	($44,805)

NOTE 5 – PENSION PLANS (Continued)

At June 30, 2020, the District reported $976,474 as deferred outflows of resources related to contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous Plan	
Year Ended June 30	Annual Amortization
2021	$677,210
2022	316,368
2023	163,376
2024	3,980
Total	$1,160,934

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the Safety Plan from the following sources:

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$27,589	
Differences between actual and expected experience	273	
Changes in assumptions	171	($33)
Net differences between projected and actual earnings on plan investments		(57)
Net Change in proportion and differences between actual contributions and proportionate share of contributions	17,458	(647)
Total	$45,491	($737)

At June 30, 2020, the District reported $27,589 as deferred outflows of resources related to contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Safety Plan	
Year Ended June 30	Annual Amortization
2021	$6,298
2022	5,988
2023	4,867
2024	12
Total	$17,165

NOTE 5 – PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liabilities was determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table(1)	Derived using CalPers Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.5% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

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.

NOTE 5 – PENSION PLANS (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+ 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 adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. 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.

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability of the Plans as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	$2,411,823	$16,064
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$1,126,646	$4,177
1% Increase	8.15%	8.15%
Net Pension Liability (Asset)	$65,824	($5,568)

NOTE 5 – PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position – CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS Executive Offices, Lincoln Plaza East, 400 Q Street, Sacramento, California 95814.

NOTE 6 – OTHER POST- EMPLOYMENT HEALTH CARE BENEFITS (OPEB)

A. General Information about the District's Other Post Employment Benefit (OPEB) Plan

By SMART Board of Directors resolution, SMART will provide certain health care benefits for retired employees under third-party insurance plans. The District's Post Employment Benefit Plan is a single-employer defined benefit plan. Employees become eligible to retire and receive healthcare benefits upon reaching retirement age with at least 5 years of service or being converted to disability, retiring directly from the District, and continue participating in Public Employees' Medical and Hospital Care Act (PEMHCA) after retirement. The PEMHCA minimum benefit was $136 per month in 2019 and is $139 per month in 2020. As of June 30, 2020, there were two retiree receiving OPEB benefits.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2019:

Active employees	132
Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	0
Total	134

NOTE 6 – OTHER POST- EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

B. Total OPEB Liability

Actuarial Methods and Assumptions – The District's total OPEB liability was measured as of June 30, 2019 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2019 to determine the $3,074,676 total OPEB liability as of June 30, 2019, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age actuarial cost method
Actuarial Assumptions:	
Discount Rate	3.62% at June 30 2018, and 3.13% at June 30 2019. Since the benefits are not funded, the discount rate is equal to the 20-year bond rate.
20 Year Bond Rate	SMART has chosen to use the "Fidelity General Obligation AA" as its 20-year bond rate. That Index was 3.62% at June 30 2018, and 3.13% at June 30 2019.
Premium Increases	Medical Premiums and PEMHCA minimum are assumed to increase as follows: 2021-2023 to 4%, 2024-2027 to 4.5%, 2028 and later to 5.0%.
Payroll Growth	Total payroll is assumed to increase 3.0% per year in the future.
Mortality Rate	Rates are taken from 2017 CalPERS valuation.
Retirement	Rates are taken from 2017 CalPERS valuation for miscellaneous public employees with 2% at age 55, 2% at 60, or 2% at 62 retirement formula, depending on which the employee has now.
Coverage Elections	80% of future eligible retired employees are assumed to participate in this program. Employees with no current medical coverage are assumed to elect Kaiser employee-only coverage upon retirement.
Turnover (withdrawal)	Likelihood of termination within the next year is taken from the 2017 CalPERS valuation, rates for Public Miscellaneous employees.
Inflation	Long-term inflation is assumed to be 2.75% per year.
Age-Specific Medical Claims	The estimated per person medical claims (true cost of coverage) during the 2019-20 fiscal year are as follows: Ages 50, 55, 60, 64 amount per age respectfully are $11,363; $14,014; $16,334; $17,525.

C. Changes in Total OPEB Liability

The changes in the total OPEB liability follows:

	Total OPEB Liability
Balance at June 30, 2018	$1,995,296
Changes Recognized for the Measurement Period:	
Service cost	444,687
Interest on the total OPEB liability	72,116
Differences between expected and actual experience	260,415
Changes of assumptions	308,419
Benefit payments	(6,257)
Net changes	1,079,380
Balance at June 30, 2019 (Measurement Date)	$3,074,676

NOTE 6 – OTHER POST- EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

D. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.62% or 1-percentage-point higher 4.62% than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
2.13%	3.13%	4.13%
$3,937,977	$3,074,676	$2,436,557

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower 3% to 4% or 1-percentage-point higher 5% to 6% than the current healthcare cost trend rates:

Total OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
3% to 4%	4% to 5%	5% to 6%
$2,439,930	$3,074,676	$3,917,586

E. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of $537,712. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date		
Differences between actual and expected experience	$237,965	
Net difference between projected and actual earnings on OPEB plan investments		
Changes of assumptions	281,831	$201,448
Total	$519,796	$201,448

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2021	$26,145
2022	26,145
2023	26,145
2024	26,145
2025	26,145
Thereafter	187,623
Total	$318,348

NOTE 7 - COMMITMENTS

A. Lease Commitments

SMART's future noncancellable lease payments are:

Year Ending June 30	Minimum Lease Payment
2021	$448,966
2022	456,363
2023	73,582
Total	$978,911

B. Purchase Commitments

At June 30, 2020, SMART had outstanding purchase and contract commitments for the rail and pathway project of $57 million. This includes a contract for the three mile Windsor extension that will be delayed following a legal challenge to the Regional Measure 3 funds in that project.

NOTE 8 – SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The District has received CARES Act money and has suffered a decrease in ridership. However, the ongoing related financial impact on District and the duration cannot be reasonably estimated at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

Miscellaneous and Safety Cost Sharing Multiple-Employer Defined Pension Plan

As of fiscal year ending June 30, 2020

Last 10 Years*

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Miscellaneous Plan*					
	2015	**2016**	**2017**	**2018**	**2019**	**2020**
Measurement Period	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Plan's proportion of the Net Pension Liability (Asset)	0.01018%	0.02309%	0.02136%	0.02376%	0.02309%	0.02813%
Plan's proportion share of the Net Pension Liability (Asset)	$633,530	$585,152	$742,146	$936,778	$870,893	$1,126,646
Covered Payroll	3,073,231	3,572,374	6,017,592	9,930,773	11,175,297	13,265,008
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	20.61%	16.38%	12.33%	9.43%	7.79%	8.49%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.26%	75.26%

	Safety Plan **	
	2019	**2020**
Measurement Period	6/30/2018	6/30/2019
Plan's proportion of the Net Pension Liability (Asset)	0.00001%	Total Plan NPL
Plan's proportion share of the Net Pension Liability (Asset)	$709	$4,177
Covered Payroll	$195,041	$211,670
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	0.36%	1.97%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	75.26%

* - Fiscal year 2015 was the first year of implementation.

**- Fiscal year 2019 was the first year that Safety Plan information was available.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
Cost Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2020

Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	Miscellaneous					
Fiscal Year	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	$347,672	$409,897	$699,783	$747,878	$910,518	$976,474
Contributions in relation to the actuarially determined contributions	(347,672)	(477,840)	(699,783)	(747,878)	(910,518)	(976,474)
Contribution deficiency (excess)	-	($67,943)	-	-	-	
Covered payroll	$3,572,374	$6,017,592	$9,930,773	$11,175,297	$12,916,529	$13,265,008
Contributions as a percentage of covered payroll	9.73%	7.94%	7.05%	6.69%	7.05%	7.36%

	Safety Plan **	Safety Plan **
Fiscal Year	2019	2020
Actuarially determined contribution	$23,680	$27,589
Contributions in relation to the actuarially determined contributions	(23,680)	(27,589)
Contribution deficiency (excess)	-	-
Covered payroll	$195,041	$211,670
Contributions as a percentage of covered payroll	12.14%	13.03%

Notes to Schedule Contributions

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal Cost in accordance with the requirements of GASB Statement No.68
Actual Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)

(1) Net of pension plan investment expenses, including inflation

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the CalPERS 2017 experience study report available on CalPERS website.

* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

**- Fiscal year 2019 was the first year that Safety Plan information was available.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
SINGLE EMPLOYER PLAN
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

Last 10 fiscal years*

Measurement Date	**6/30/17**	**6/30/18**	**6/30/2019**
Total OPEB Liability			
Service Cost	$478,730	$438,273	$444,687
Interest	36,782	54,494	72,116
Changes of benefit terms			
Differences between expected and actual experience			260,415
Changes of assumptions	(241,085)	(26,755)	308,419
Benefit payments	(3,801)	(2,891)	(6,257)
Net change in total OPEB liability	270,626	463,121	1,079,380
Total OPEB liability - beginning	1,261,549	1,532,175	1,995,296
Total OPEB liability - ending	$1,532,175	$1,995,296	$3,074,676
Covered payroll	$9,930,773	$11,175,297	$18,840,794
Total OPEB liability as a percentage of covered payroll	-15.43%	-17.85%	-16.32%

* Fiscal year 2018 was the first year of implementation.

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

- Table 1- Net Position by Component
- Table 2- Changes in Net Position
- Table 3- Non-Capital Expenditures by Category

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant revenue source, capital grants and contributions. Also included in this section is current information on the District's ongoing significant source of revenues, the sales tax.

- Table 4- General Revenue by Source
- Table 5- Revenue Base and Revenue Rate
- Table 6- Overlapping Governments and Sales Tax Rates
- Table 7- Principal Revenue Payers

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

- Table 8- Debt Service Coverage – Pledged Sales Tax Revenue
- Table 9- Ratios of Outstanding Debt

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

- Table 10- Demographic and Economic Statistics
- Table 11- Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

- Table 12- Operating Information
- Table 13- Employees – Full-Time Equivalent

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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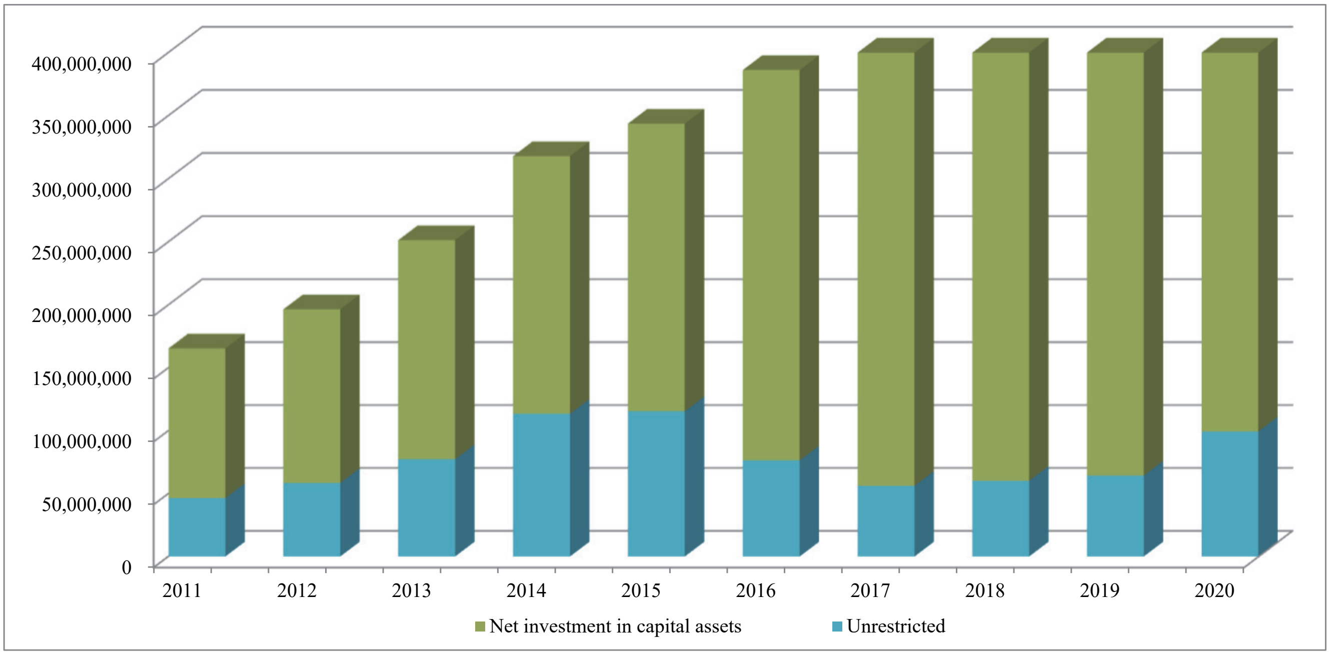
Table 1
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NET POSITION BY COMPONENT
Last Ten Fiscal Years



	2011	2012	2013	2014	2015
Net investment in capital assets	$118,948,132	$137,997,431	$173,996,072	$204,389,312	$228,244,612
Unrestricted	46,507,406	58,533,319	77,347,530	113,506,183	115,465,740
Total net position	$165,455,538	$196,530,750	$251,343,602	$317,895,495	$343,710,352

	2016	2017	2018	2019	2020
Net investment in capital assets	$309,724,259	$353,088,871	$367,957,650	$403,239,649	$398,251,858
Unrestricted	76,452,056	56,226,336	60,223,084	64,324,957	99,456,719
Total net position	$386,176,315	$409,315,207	$428,180,734	$467,564,606	$497,708,577

Table 2
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2011	2012	2013	2014	2015
Operating Revenues:					
Operating Revenue	$635,670	$650,877	$597,880	$840,586	$640,249
Total Operating Revenues	635,670	650,877	597,880	840,586	640,249
Operating Expenses:					
Public transportation - rail/pathway:					
Net salaries and employee benefits	1,831,476	2,597,001	2,683,628	3,041,027	4,303,358
Services and supplies	10,097,972	4,179,668	4,772,700	4,466,562	5,275,106
Depreciation	472,061	4,527,575	4,527,575	4,473,500	4,575,530
Bad Debt	-	-	-	-	-
Loss on impairment of assets	-	-	-	433,295	-
Other charges	53,471	76,671	700,783	215,922	380,000
Total Operating Expenses	12,454,980	11,380,915	12,684,686	12,630,306	14,533,994
Operating loss	(11,819,310)	(10,730,038)	(12,086,806)	(11,789,720)	(13,893,745)
Nonoperating Revenues (Expenses):					
Sales/Use taxes	26,826,843	28,303,501	30,435,753	32,473,329	33,845,426
Federal, state, and other operating assistance	-	-	-	-	-
Investment earnings	192,500	437,618	1,495,066	1,182,159	1,384,557
Sale of contract option	758,825	-	-	-	-
Capital expense passed through to other agencies	-	-	-	-	(1,557,743)
Miscellaneous revenue	46,400	26,236	62,178	65,638	49,351
Interest expense	-	(1,117,492)	(5,328,770)	(4,420,558)	(2,761,502)
Total Nonoperating Revenues	27,824,568	27,649,863	26,664,227	29,300,568	30,960,089
Income before capital grants	16,005,258	16,919,825	14,577,421	17,510,848	17,066,344
Capital Grants					
State of California	9,787,099	8,148,143	24,130,596	4,295,318	3,381
Metropolitan Transportation Commission	6,046,018	-	4,541,421	35,500,504	7,119,973
Sonoma County Transportation Authority	-	4,594,099	5,758,121	5,136,487	35,358
Federal Grants	1,960,000	1,203,349	6,021,838	2,562,581	500,595
Other governmental agencies	3,621,344	209,796	666,592	1,543,983	1,534,698
Donated asset	-	-	-	-	-
Total Capital grants	21,414,461	14,155,387	41,118,568	49,038,873	9,194,005
Change in net position	$37,419,719	$31,075,212	$55,695,989	$66,549,721	$26,260,349

Source: SMART annual financial statements.

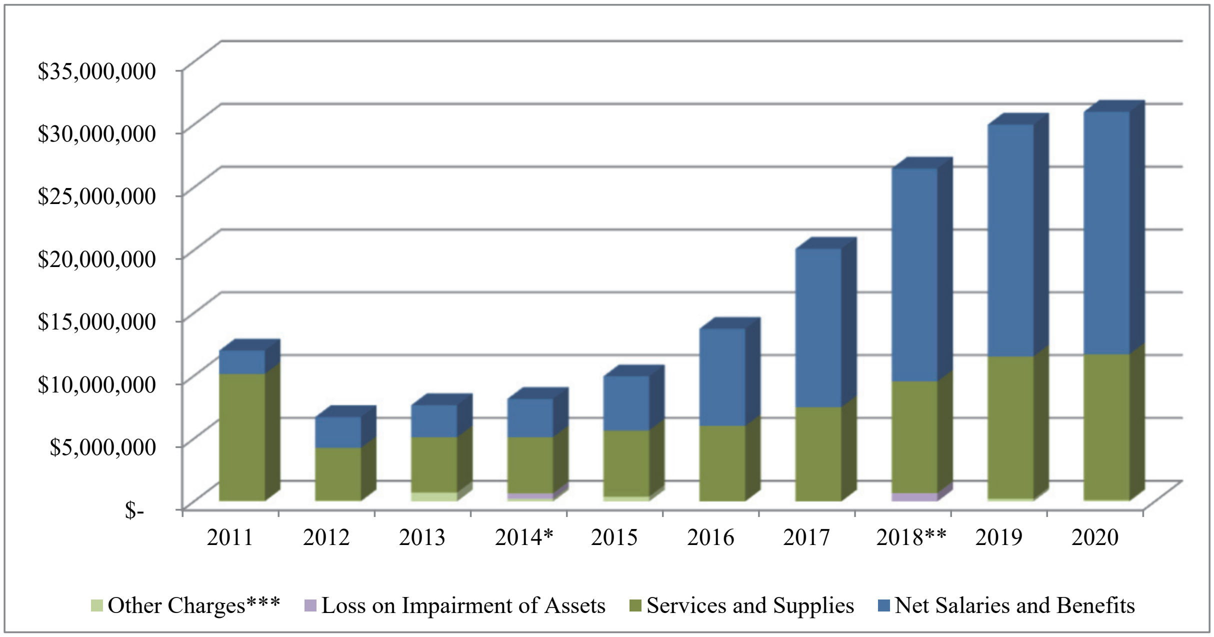
Continued on Next Page

Table 2
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2016	2017	2018	2019	2020
Operating Revenues:					
Operating Revenue	$529,191	$588,402	$4,025,111	$5,036,875	$3,965,115
Total Operating Revenues	529,191	588,402	4,025,111	5,036,875	3,965,115
Operating Expenses:					
Public transportation - rail/pathway:					
Net salaries and employee benefits	7,736,893	12,610,874	16,950,114	18,453,125	19,295,606
Services and supplies	5,998,630	7,498,986	8,877,465	11,336,573	11,624,479
Depreciation	4,610,295	4,716,779	17,800,126	19,033,577	22,150,111
Bad Debt	-	-	-	-	-
Loss on impairment of assets	-	-	671,378	-	-
Other charges	7,541	212	954	203,883	100,000
Total Operating Expenses	18,353,359	24,826,851	44,300,037	49,027,158	53,170,196
Operating loss	(17,824,168)	(24,238,449)	(40,274,926)	(43,990,283)	(49,205,081)
Nonoperating Revenues (Expenses):					
Sales/Use taxes	34,776,012	36,061,895	37,135,476	41,241,140	38,978,630
Federal, state, and other operating assistance	-	-	3,701,366	5,000,756	15,574,795
Investment earnings	585,178	366,748	724,313	1,974,246	338,227
Sale of contract option	-	-	-	-	-
Capital expense passed through to other agencies	(295,894)	(62,636)	(3,778,891)	(770,156)	(918,506)
Miscellaneous revenue	2,264,334	438,639	2,236,508	4,174,454	1,438,087
Interest expense	(805,558)	(1,164,558)	(5,819,778)	(5,591,608)	(5,273,801)
Total Nonoperating Revenues	36,524,072	35,640,088	34,198,994	46,028,832	50,137,432
Income before capital grants	18,699,904	11,401,639	(6,075,932)	2,038,549	932,351
Capital Grants					
State of California	284,094	458,549	837,950	2,883,980	20,311,493
Metropolitan Transportation Commission	2,683,108	5,007,846	9,939,309	4,388,830	224,051
Sonoma County Transportation Authority	47,780	33,440	356,219	55,249	22,632
Federal Grants	3,779,595	2,750,431	9,450,100	21,270,383	2,609,220
Other governmental agencies	749,376	3,036,898	4,357,881	8,746,881	4,716,659
Donated asset	16,222,106	1,116,726	-	-	1,327,565
Total Capital grants	23,766,059	12,403,890	24,941,459	37,345,323	29,211,620
Change in net position	$42,465,963	$23,805,529	$18,865,527	$39,383,872	$30,143,971

Source: SMART annual financial statements.

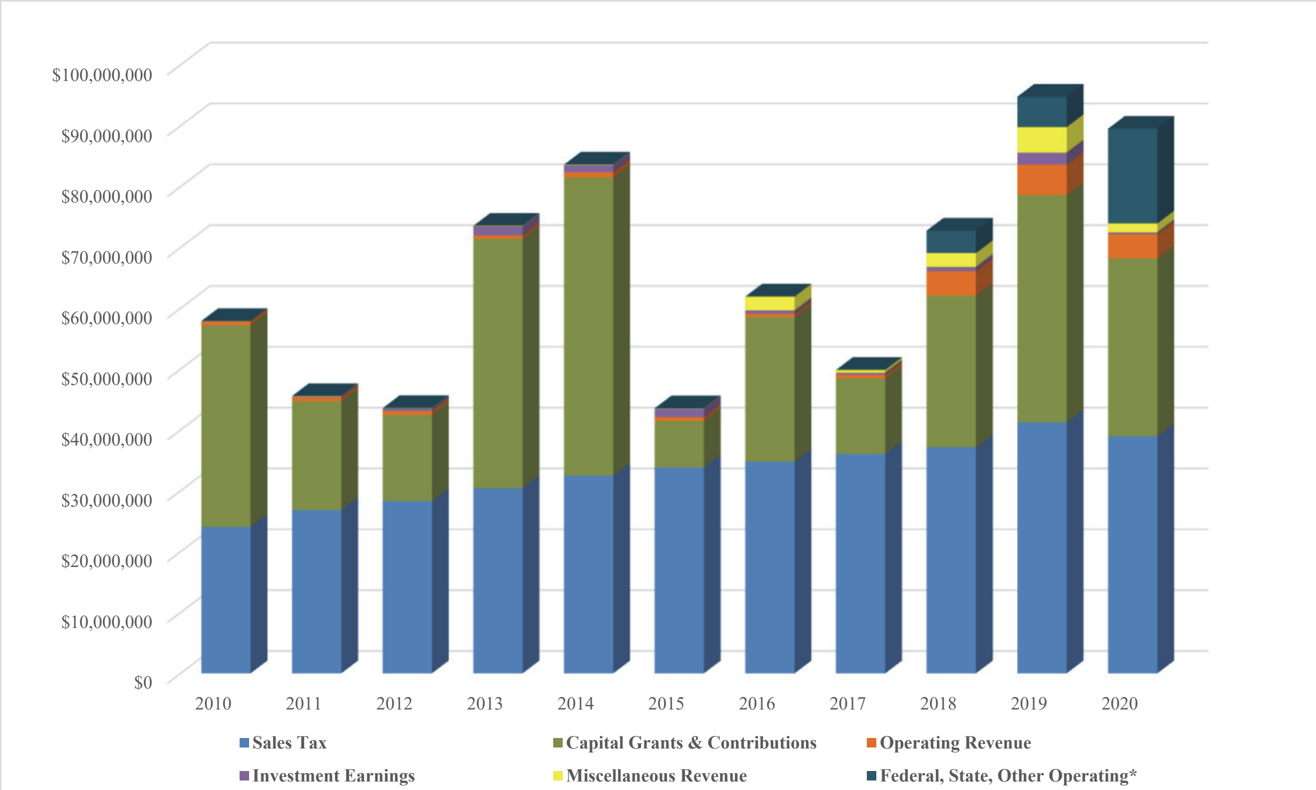
Table 3
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NON-CAPITAL EXPENSE BY CATEGORY
Last Ten Fiscal Years



Fiscal Year Ended June 30	Net Salaries and Benefits	Services and Supplies	Other Charges***	Loss on Impairment of Assets	Total
2011	$ 1,847,662	$ 10,097,972	$ 53,471	$ -	$ 11,999,105
2012	2,462,175	4,179,668	76,671	-	6,718,514
2013	2,558,849	4,406,463	700,783	-	7,666,095
2014*	3,041,027	4,466,562	215,922	433,295	8,156,806
2015	4,303,358	5,275,106	380,000	-	9,958,464
2016	7,736,893	5,998,630	7,541	-	13,743,064
2017	12,610,874	7,498,986	212	-	20,110,072
2018**	16,950,114	8,877,475	954	671,378	26,499,921
2019	18,453,125	11,336,573	203,883	-	29,993,581
2020	$ 19,295,606	$ 11,624,479	$ 100,000	$ -	$ 31,020,085

Source: Sonoma-Marin Area Rail Transit District Financial Statements
*2014 is the first year that the District presented financial reports in an enterprise format
**2018 is the first year of Operations; Other Charges Net of Non-cash adjustments
*** Other charges adjusted for non-cash transactions beginning 2018

Table 4
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
GENERAL REVENUE BY SOURCE
Last Ten Fiscal Years



Fiscal Year	Sales Tax	Capital Grants & Contributions	Operating Revenue	Federal, State, Other Operating*	Investment Earnings	Miscellaneous Revenue	Total
2010	$ 24,059,929	$ 33,138,053	$ 564,502	$ -	$ 93,215	$ 38,445	$ 57,894,144
2011	26,826,843	17,856,239	635,670	-	192,500	46,400	45,557,652
2012	28,303,501	14,155,387	650,877	-	437,618	26,236	43,573,619
2013	30,435,753	40,952,030	597,880	-	1,495,066	62,178	73,542,907
2014	32,473,329	49,038,873	840,586	-	1,182,159	65,638	83,600,585
2015	33,845,426	7,636,262	640,249	-	1,384,557	49,351	43,555,845
2016	34,776,012	23,766,059	529,191	-	585,178	2,264,334	61,920,774
2017	36,061,895	12,403,890	588,402	-	366,748	438,639	49,859,574
2018	37,135,476	24,941,459	4,025,111	3,701,366	724,313	2,236,508	72,764,233
2019	41,241,140	37,345,323	5,036,875	5,000,756	1,974,246	4,174,454	94,772,794
2020	$ 38,978,630	$ 29,211,620	$ 3,965,115	$ 15,574,795	$ 338,227	$ 1,438,087	$ 89,506,474

Source: Sonoma-Marin Area Rail Transit District Financial Reports
*Transit Operation began Fiscal Year 2018

Table 5
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
REVENUE BASE AND REVENUE RATE
Last Ten Fiscal Years

Fiscal Year	SMART Sales Tax Rate	Total Sales Tax Revenue	Marin County Total Taxable Sales (In Thousands)	Sonoma County Total Taxable Sales (In Thousands)	SMART District Total Taxable Sales (In Thousands)
2011	0.25%	$ 26,826,843	$ 3,928,074	$ 6,701,426	$ 10,629,500
2012	0.25%	28,303,501	4,185,542	7,152,875	11,338,417
2013	0.25%	30,435,753	4,500,247	7,711,052	12,211,299
2014	0.25%	32,473,329	4,769,878	8,264,339	13,034,217
2015	0.25%	33,845,426	4,957,364	8,626,295	13,583,659
2016	0.25%	34,776,012	5,091,014	8,843,184	13,934,198
2017	0.25%	36,061,895	5,004,443	9,154,084	14,158,526
2018	0.25%	37,135,476	5,343,038	9,444,873	14,787,910
2019	0.25%	41,241,140	5,454,389	9,966,334	15,420,723
2020	0.25%	$ 38,978,630	$ 5,148,864	$ 9,113,111	$ 14,261,975

Source: California Department of Tax and Fee Administration

Table 6
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
OVERLAPPING GOVERNMENTS AND SALES TAX RATES
Last Nine Fiscal Years*

Marin County

Fiscal Year	State(a)	City	County(b)	SMART(d)	Total
2012	7.25%	0 to 0.50%	0.50%	0.25%	8% to 9%
2013	7.50%	0 to 0.50%	0.50%	0.25%	8% to 9%
2014	7.50%	0 to 0.50%	0.75%	0.25%	8.5% to 9%
2015	7.50%	0 to 0.50%	0.75%	0.25%	8.5% to 9%
2016	7.50%	0 to 0.50%	0.75%	0.25%	8.5% to 9%
2017	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2018	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2019	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2020	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%

Sonoma County

Fiscal Year	State(a)	City	County(c)	SMART(d)	Total
2012	7.25%	0 to 0.50%	0.50%	0.25%	8.0% to 8.5%
2013	7.50%	0 to 0.50%	0.50%	0.25%	8.25% to 8.75%
2014	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2015	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2016	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2017	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2018	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2019	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2020	7.25%	0 to 1.00%	0.750%	0.25%	8.25% to 9.25%

*FY2012 First Year SMART began compiling statistical data

The cities within each county sales tax varies and they are combined to create this chart.

(a) Statewide sales and use tax rate increased 0.25% on January 1, 2013, and decreased by 0.25% on January 1, 2017

(b) Marin Parks/Open Space/Farmland Preservation Transactions and Use Tax (0.25%, effective 04-01-13) and Transportation Authority of Marin County (0.50%, effective 04-01-05)

(c) Sonoma County Transportation Authority (0.25%, 04-01-05), Sonoma County Agricultural Preservation & Open Space District Transactions and Use Tax (0.25%, 04-01-11), Sonoma County Library Maintenance, Restoration, Enhancement Act (0.125%, 4-1-17), Sonoma County Parks and Safety Transactions (0.25%, 04-01-19)

(d) SMART sales tax effective April 1, 2009

Source: California State Board of Equalization, California City & County Sales & Use Tax Rates
[District Taxes, Rates, and Effective Dates (CDTFA-105)]

Table 7
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
PRINCIPAL REVENUE PAYERS

	Fiscal Year 2020**		
Principal Revenue Payers: Sales Tax Generators	**Percentage**		**Total Receipts**
General Retail	27.8%	$	10,771,527
Auto and Other Transportation	19.6%		7,618,940
Food & Beverage Products	18.3%		7,110,842
Business to Business	16.5%		6,406,880
Construction Related	14.2%		5,527,982
Miscellaneous	3.5%		1,364,086
Totals	100%	$	38,800,257

	Fiscal Year 2011*		
Principal Revenue Payers: Sales Tax Generators	**Percentage**		**Total Receipts**
General Retail	30.5%	$	7,978,547
Auto and Other Transportation	21.4%		5,597,576
Food & Beverage Products	19.0%		4,972,020
Business to Business	15.9%		4,156,846
Construction Related	10.7%		2,796,876
Miscellaneous	2.5%		654,932
Totals	100%	$	26,156,797

*First available year of SMART sales tax payer analysis
**Based on Analysis by MuniServices, Categorizations and Totals May Differ from State published/Audited Data

Table 8
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
DEBT SERVICE COVERAGE - PLEDGED SALES TAX REVENUE

Fiscal Year Ending	Sales Tax Revenue Actual	Sales Tax Revenue Projected*	Series 2011A Bond Interest**	Series 2011A Bonds Principal	Series 2011A Bonds Debt Service Total	Annual Debt Service Coverage Ratio
6/30/2020	$ 38,978,630	$ 38,978,630	$ 7,312,600	$ 9,435,000	$ 16,747,600	2.33
6/30/2021	-	37,122,089	6,840,850	10,565,000	17,405,850	2.13
6/30/2022	-	38,347,637	6,315,000	11,745,000	18,060,000	2.12
6/30/2023	-	39,615,608	5,727,750	12,990,000	18,717,750	2.12
6/30/2024	-	40,902,295	5,078,250	14,290,000	19,368,250	2.11
6/30/2025	-	42,129,364	4,363,750	15,660,000	20,023,750	2.10
6/30/2026	-	43,393,245	3,580,750	17,100,000	20,680,750	2.10
6/30/2027	-	44,695,042	2,725,750	18,610,000	21,335,750	2.09
6/30/2028	-	46,035,893	1,795,250	20,195,000	21,990,250	2.09
6/30/2029***	$ -	$ 35,562,728	$ 785,500	$ 15,710,000	$ 16,495,500	2.16
					Maximum Annual Debt Service Coverage:	**2.32x**

*Sales tax forcast provided by Avenu Insights & Analytics through 2024, 3% thereafter
**Debt service shown is cash basis
***Sales tax expires 3/31/2029

Table 9
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
RATIOS OF OUTSTANDING DEBT (Unaudited)

TOTAL DEBT TO INCOME RATIO
SMART District: Sonoma and Marin Counties Combined

Year	Total Outstanding Debt	Personal Income	Population	Ratio of Debt to Personal Income	Total Debt Per Capita
2014*	$ 192,365,524	$ 53,487,101,000	759,238	0.37%	$ 253
2015	190,096,688	57,742,796,000	762,362	0.34%	249
2016	183,318,018	59,833,017,000	763,882	0.31%	240
2017	175,819,899	62,676,073,000	762,971	0.28%	229
2018	167,528,327	67,113,317,000	759,608	0.26%	216
2019**	$ 157,163,502	$ 67,784,450,170	763,554	0.23%	$ 206

TOTAL DEBT SERVICE TO NON-CAPITAL EXPENSES

Year	Total Debt Service	Non-Capital Expenditures Including Debt Service	Ratio Debt Service to Non-Capital Expenditures
2014*	$ 8,456,950	$ 16,613,756	51%
2015	8,456,950	18,415,414	46%
2016	12,996,950	26,740,014	49%
2017	13,600,350	33,710,422	40%
2018	14,204,100	40,704,021	35%
2019	$ 16,095,850	$ 46,089,431	35%

*Fiscal Year 2013 is the first full year SMART had outstanding debt service payments on Series 2011A bonds
**2019 Personal income amount estimated assuming 1% increase from prior year

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Series 2011A Bond; Table 3

Table 10
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS (Unaudited)
Last Nine Fiscal Years

Marin County

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2011	255,363	$ 22,741,276	$ 89,009	7.4%
2012	256,072	23,918,732	93,407	6.3%
2013	258,453	25,093,401	97,124	5.0%
2014	260,435	27,176,774	104,319	4.3%
2015	261,016	29,227,230	114,455	3.6%
2016	260,633	30,222,883	117,552	3.4%
2017	259,725	32,867,529	124,552	2.9%
2018*	259,666	33,196,204	134,275	2.3%
2019**	258,826	$ 34,652,086	$ 133,882	2.3%

Sonoma County

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2011	487,423	$ 22,356,767	$ 45,805	9.8%
2012	490,071	23,548,182	47,879	8.6%
2013	494,243	24,905,827	50,312	6.7%
2014	498,803	25,224,331	50,533	5.6%
2015	501,346	27,284,819	55,445	4.5%
2016	503,249	28,457,348	57,264	4.1%
2017	503,246	30,343,873	60,286	3.4%
2018*	499,942	30,647,311	64,501	2.7%
2019**	494,336	$ 31,865,712	$ 64,462	2.7%

*2018 Most recent complete data available
**2019 Personal Income and Per Capita Personal Income estimated based on previous years amounts

Sources:
Population: US Department of Commerce, Bureau of Economic Analusis - www.bea.gov, released Nov 14, 2019
Unemployment: Employment Development Department, Labor Market Information - www.labormarketinfo.edd.ca.gov

Table 11
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
MAJOR EMPLOYERS (UNAUDITED)
Current Year*

Marin County 2020

Employer	Number of Employees	Percent of Total Employment**
County of Marin	2,099	1.76%
Kaiser Permanente San Rafael Medical Center***	2,014	1.69%
BioMarin Pharmaceutical	1,779	1.49%
San Quentin State Prison	1,614	1.35%
Marin General Hospital***	1,279	1.07%
Glassdoor	950	0.79%
Novato Unified School District	800	0.67%
Autodesk	765	0.64%
San Rafael City Schools	629	0.53%
Dominican University of California	413	0.35%

Sonoma County 2020

Employer	Number of Employees	Percent of Total Employment**
County of Sonoma	3,793	1.70%
Santa Rosa Junior College	3,201	1.44%
Kaiser Permanente	3,015	1.35%
Graton Resort and Casino	1,850	0.83%
St. Joseph Health, Sonoma County	1,640	0.74%
Keysight Technologies	1,528	0.69%
Santa Rosa School District	1,573	0.71%
Safeway, Inc***	1,200	0.54%
Jackson Family Wines	1,153	0.52%
City of Santa Rosa	1,133	0.51%

*The "9 Years Ago" data unavailable, SMART records began 2013
Percent of Total Employment Reflects June 2020 Employed

Sources:
North Bay Business Journal
County of Marin
San Quentin State Prison
Novato Unified School District
BioMarin Pharmaceutical
County of Sonoma
Graton Resort & Casino
City of Santa Rosa
Santa Rosa School District
Employment Development Department, State of California
Santa Rosa Junior College
Marin County Office of Education
Autodesk

**Calculated using California Employment Development Department
***Utilized 2019 data, 2020 not available

Table 12
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
Operating Information (Unaudited)

Start of Operations	August 2017	**Rail Stations in Service**	12
Form of Governance	Board of Directors with General Manager	**Park and Ride Lots**	7
Service Area	Sonoma and Marin Counties, California	**Rail Vehicles in Service**	18
Operation	45		

OPERATING STATISTICS

Fiscal Year	Ridership	Fare Revenue	Average Fare	Revenue Vehicle Hours	Revenue Vehicle Service Miles
2019-20**	567,103	$3,090,458	$5.45	28,993	821,415
2018-19*	716,847	$4,094,540	$5.71	32,560	923,002
2017-18	636,029	$3,315,274	$5.21	43,959	766,833

FARE INFORMATION

Daily Fares By Zone	1 Zone	2 Zones	3 Zones	4 Zones	5 Zones	Daily Max
Adult Fare	$3.50	$5.50	$7.50	$9.50	$11.50	$23.00
Seniors, youth, and disabled	$1.75	$2.75	$3.75	$4.75	$5.75	$11.50

Passes	Adult	Discount
31-Day Pass	$200	$100
Eco Pass - Monthly	$138-$213	

*2018-19 is the first full year of service

**2019-2020 ridership and related data subject to change through NTD review

Table 13
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
Employees- Full-Time Equivalent (Unaudited)

	Fiscal Year Ended June 30							
Division	**2013***	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
General Manager	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Legal	0.0	0.8	1.0	1.3	2.8	3.0	3.0	3.0
Capital Projects	11.8	13.8	13.9	13.2	8.1	6.0	11.0	11.0
Administration	5.6	8.0	8.4	9.0	13.3	15.0	18.0	20.0
Finance	5.8	5.8	5.8	6.1	6.2	7.0	8.0	7.0
Operations	1.0	1.3	4.7	36.9	79.4	86.0	99.5	102.0
Safety & Security	0.0	0.0	0.8	1.0	2.0	3.0	4.5	5.0
Total	**25.2**	**30.7**	**35.6**	**68.6**	**112.8**	**121.0**	**145.0**	**149.0**

* FY2013 was the first year SMART prepared Statistical Charts, no data available for prior years

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 of the
Sonoma-Marin Area Rail Transit District
Petaluma, 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 basic financial statements of the Sonoma-Marin Area Rail Transit District (District), California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of District'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 District'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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

We have also issued a separate Memorandum on Internal Control dated November 10, 2020 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
November 10, 2020