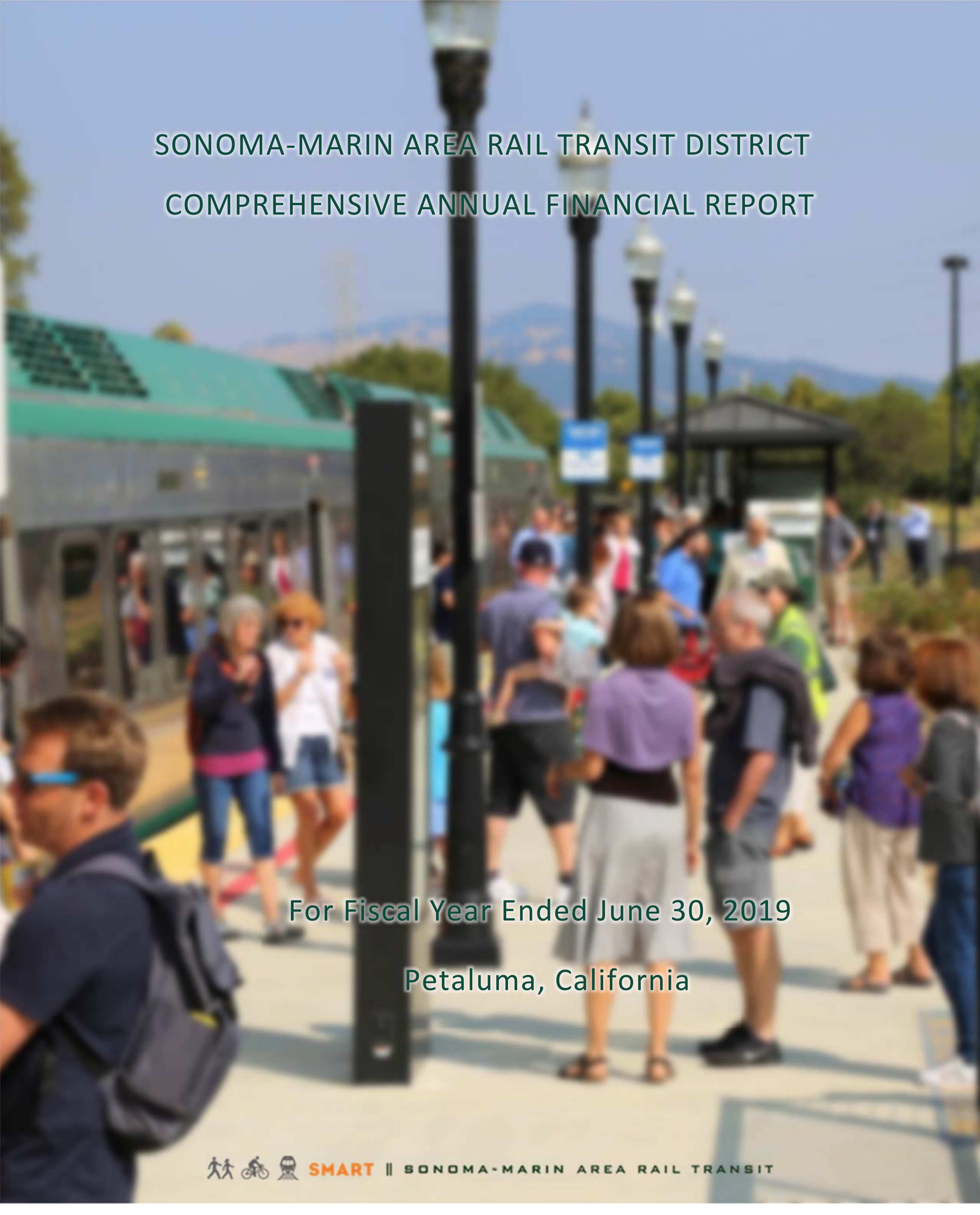

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2019

Petaluma, California

SONOMA-MARIN AREA RAIL
TRANSIT DISTRICT
PETALUMA, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

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, 2019

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2019

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General Manager

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Petaluma, CA 94954
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www.sonomamarintrain.org

December 6, 2019

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, 2018 through June 30, 2019.

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.

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.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements. This narrative is given in the form of the Management's Discussion and Analysis (MD&A), and is meant to complement this letter of transmittal. The MD&A can be found following the independent auditor's report.

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 on the first 43 miles of a transit system that will ultimately connect the 70 miles between Cloverdale in Sonoma County to Larkspur in Marin County.

SMART is governed by a 12-member Board of Directors, made up of two county 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 passenger 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 includes the two Counties of Sonoma and Marin. From the start of regular passenger service in August of 2017 through its first year, SMART has carried over 1.5 million passengers.

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. However, a study by the Metropolitan Transportation Commission found that motorists in 2017 spent the equivalent of 2,690 vehicle hours of congested delay during the morning commute on Highway 101 from Novato to San Rafael. SMART's riders are no longer stuck in traffic on the freeway or local roads and have been able to reduce their commute times and increase their productivity.

SMART's finances rely on the strength of sales tax revenues which provides more than 80% of SMART's annual revenues. Sales tax revenue is directly linked to local employment rates and median incomes. The District is home to a fairly wealthy taxpayer base, with a weighted per capita income base of $82,087 compared to California's $63,557 and $54,446 for the United States according to 2018 reports from the U.S. Bureau of Economic Analysis (BEA). The District's residents have shown stable employment rates through June 30, 2019. The seasonally unadjusted unemployment rates in Marin and Sonoma Counties in September of 2018 were 1.9% and 2.2%, respectively. As a result of these underlying statistics, robust sales in the District and some delayed receipt of funds from the State from the prior year, sales tax revenues grew by 11%. For the year that ended June 30, 2019, SMART sales tax receipts, net of state fees, was $41,241,140.

Sonoma County residents suffered devastating wildfires in 2017 that lead to significant dislocation and loss of property which had a temporary impact on SMART ridership and revenues. Both fare revenue and ridership have rebounded, however the future effects of power outages and a new fire occurring after the close of Fiscal Year 2019 are still unknown.

DISTRICT ACTIVITIES in Fiscal Year 2018-19

SMART Rail Service

SMART passenger service runs from the Downtown San Rafael Station to the Airport Boulevard Station and is accompanied by multiple SMART pathway segments. In Fiscal Year 2018-19, SMART provided its first full fiscal year of weekday passenger service including 34 trips a day, starting at 4:19 am and ending at 9:42 pm. Four weekend service trips start at 10:13 am and conclude at 9:57 pm. In Fiscal Year 2019, SMART carried 716,847 passengers, 69,103 bicycles and 2,388 passengers in wheelchairs. Passenger support has been positive and growing, and on-time performance of SMART trains is 97%. Improvements anticipated in 2020 include a new schedule with more service runs and fewer schedule gaps during commute hours.

Capital Improvement Projects

In December 2019 SMART will to bring a new 2.1-mile extension from San Rafael to Larkspur into service. This project, which is funded primarily by Regional Measure 2 (Bridge Tolls), the Federal Transit Administration, as well as the Federal Railroad Administration, is also supported by SMART's own Measure Q. SMART also substantially completed construction of a new station in Novato funded by the City of Novato. Both new stations will be opening in December of 2019.

A three-mile extension North to Windsor is in the beginning phases of construction. Subsequent phases of the project will include additional SMART rail stations in Cloverdale, Healdsburg, and Petaluma; and further extensions of the pathway. All future phases will be completed as funding becomes available. Passengers north and south of the Phase 1 project connect to the SMART transit system by local transit connections, the multiuse pathway, and SMART-contracted connector buses.

During Fiscal Year 2018-19 there was continued progress on capital projects in support of operations, such as the design and installation of a wheel-truing machine to reduce rail car maintenance costs and impacts on service. Another major initiative was the funding and construction of pedestrian path of travel improvements at SMART crossings for enhanced safety at certain at-grade crossings. SMART also began construction of new multi-use pathway segments, including a crucial section in Petaluma from Payran to Southpoint Boulevard and a section in Downtown San Rafael. Finally, the expansion of SMART's rail car fleet moved forward, with SMART receiving four additional Diesel Multiple Unit rail cars in time for new service to SMART's newest stations.

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 Planning

At the close of Fiscal Year 2019, SMART had begun work on a new Strategic Plan, an effort that occurs every five years as a method of planning for future expenditures and needs. That plan envisions an extension of SMART's primary source for revenue, the 2008 Measure Q sales tax, which is set to expire in 2029. The plan's focus is on the need to extend the tax to better manage expenditures over the long-term, including reducing annual debt service. SMART's annual budget process, which takes place during the months of May and June, assisted in providing the needed data from SMART's operating costs. Those costs, combined with SMART's annual debt service, will prove to be a challenge for the District in the coming years. The budget review and Strategic Plan process resulted ultimately in a decision by the Board of Directors to go forward with a ballot measure to extend the sales tax in 2020 for another 30 years.

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, 2018. This was the fifth 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. With continued leadership from the Board and 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	Farhad Mansourian
Chief Financial Officer	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, 2018

Christopher P. Morrill

Executive Director/CEO

Sonoma-Marin Area Rail Transit District
Fiscal Year 2018-19 Principal Officials

Gary Phillips, 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

Eric Lucan
Transportation Authority of Marin

Joe Naujokas
Sonoma County Mayors' and Councilmembers Association

David Rabbitt
Sonoma County Board of Supervisors

Chris Rogers
Sonoma County Mayors' and Councilmembers Association

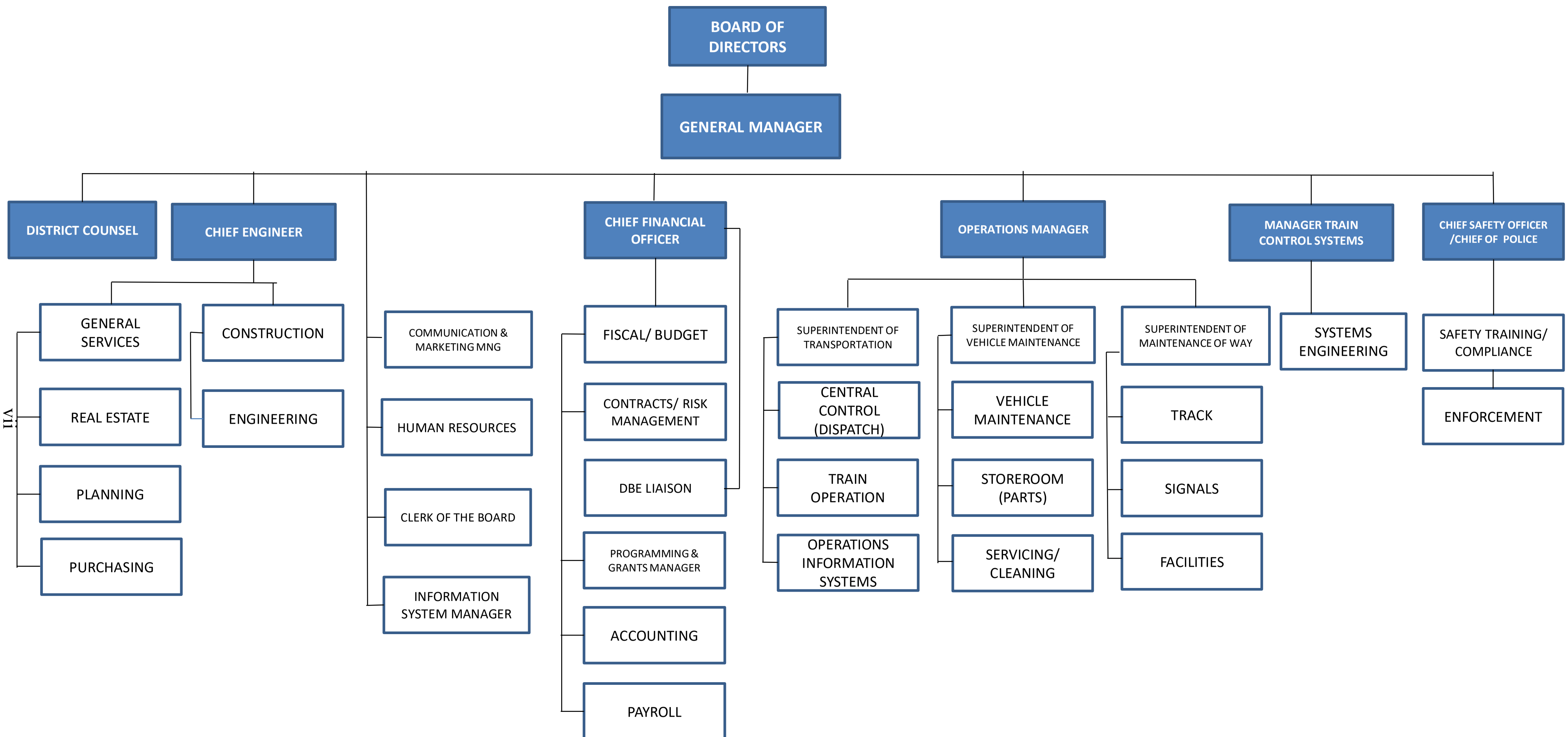
Shirlee Zane
Sonoma County Board of Supervisors

Farhad Mansourian
General Manager

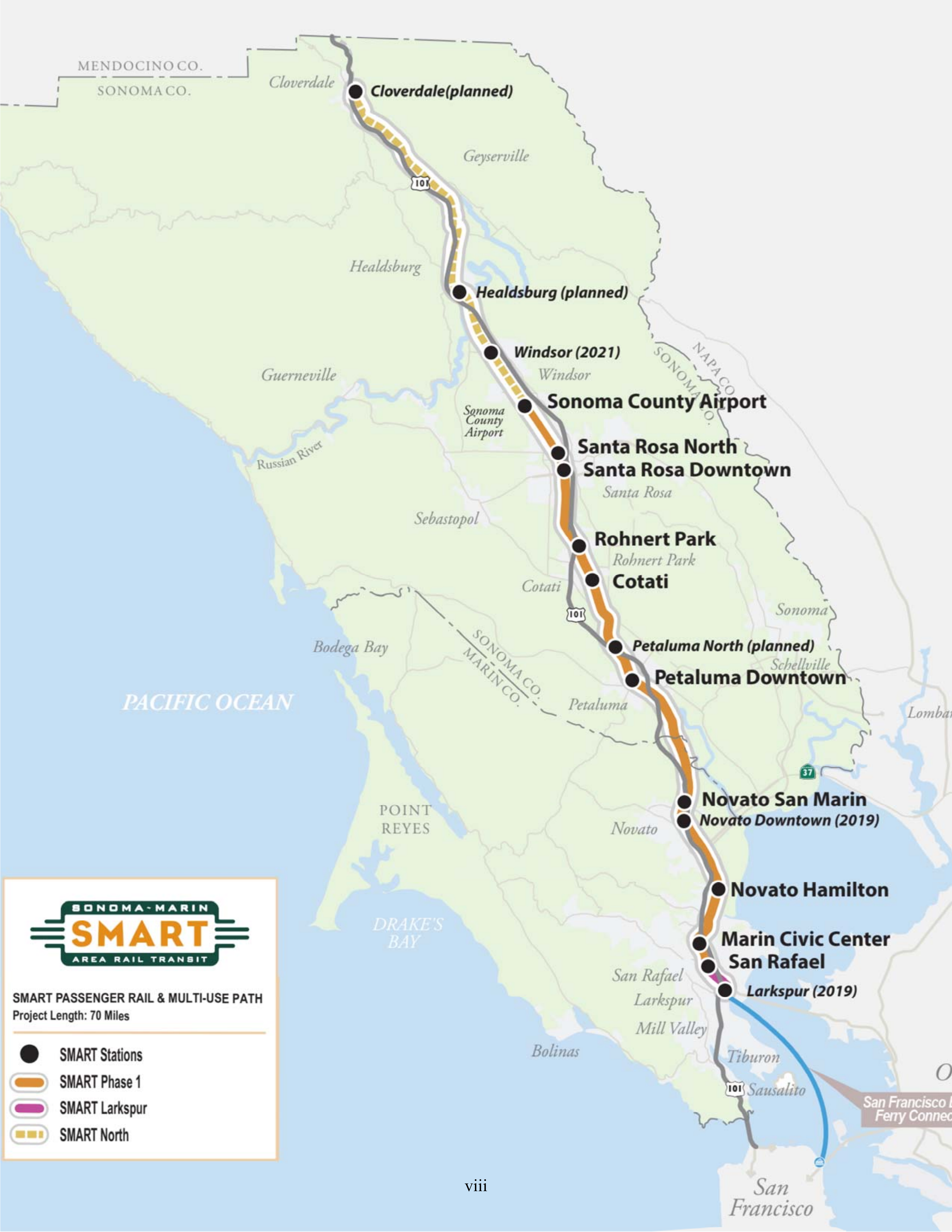
Erin McGrath
Chief Financial Officer

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

Organization Chart



October 2019


MENDOCINO CO.
SONOMA CO.
Cloverdale
Cloverdale(planned)
Geyserville
101
Healdsburg
Healdsburg (planned)
Windsor (2021)
Windsor
Guerneville
SONOMA CO.
NAPA CO.
Sonoma County Airport
Sonoma County Airport
Russian River
Santa Rosa North
Santa Rosa Downtown
Santa Rosa
Sebastopol
Rohnert Park
Rohnert Park
Cotati
Cotati
101
Sonoma
Bodega Bay
SONOMA CO.
MARIN CO.
Petaluma North (planned)
Schellville
Petaluma Downtown
PACIFIC OCEAN
Petaluma
37
Novato San Marin
POINT REYES
Novato Downtown (2019)
Novato
Novato Hamilton
DRAKE'S BAY
Marin Civic Center
San Rafael
San Rafael
Larkspur (2019)
Larkspur
Mill Valley
Bolinas
Tiburon
101
Sausalito
San Francisco
SONOMA-MARIN
SMART
AREA RAIL TRANSIT
SMART PASSENGER RAIL & MULTI-USE PATH
Project Length: 70 Miles
SMART Stations
SMART Phase 1
SMART Larkspur
SMART North

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, 2019, 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.

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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, 2019, 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.

Emphasis of Matter

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* which became effective during the year ended June 30, 2019 as discussed in Note 4 to the financial statements. This Statement had no material effect on the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

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 December 6, 2019, 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
December 6, 2019

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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, 2019. 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 2019 Financial Highlights

- SMART's financial activity for the year ended June 30, 2019 reflects SMART's second year of operations activities including fare, parking and other operating revenues and a full year of expenses such as fuel, parts and labor for commuter rail operations
- Fare revenue for the second year was $4.1 million out of the $5 million in Operating Revenue. This exceeded SMART's budgeted amounts and provided a strong base for future financial planning.
- Capital assets increased by $25 million due to continued construction activity during the year, and depreciation also grew to $19 million as more infrastructure was placed into service.
- Assets of SMART exceeded its liabilities at the close of the year ended June 30, 2019 by $467.6 million (net position). Of this amount, $64.3 million is unrestricted.
- SMART's net position increased $39 million during the year ended June 30, 2019, 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 15-33 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 $467,564,606 on June 30, 2019.

The largest portion of SMART's net position (86%) reflects its investment in capital assets (e.g., land, tracks 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

	2019	2018	2019-2018 Change
Current and Other Assets	$ 97,455,509	92,388,275	$ 5,067,234
Capital assets	543,330,649	518,274,187	25,056,462
Total Assets	640,786,158	610,662,462	30,123,696
Deferred outflows of resources	2,126,418	2,164,639	(38,221)
Current liabilities	23,905,407	22,591,996	1,313,411
Long-term liabilities	151,182,451	161,793,710	(10,611,259)
Total Liabilities	175,087,858	184,385,706	(9,297,848)
Deferred inflows of resources	260,112	260,661	(549)
Net position:			
Net investment in capital assets	403,239,649	367,957,650	35,281,999
Unrestricted	64,324,957	60,223,084	4,101,873
Total net position	$ 467,564,606	428,180,734	$ 39,383,872

SMART's net position at the end of fiscal year 2019 increased by $39,383,872 from the prior fiscal year. This increase is primarily the result of SMART continuing to invest its revenues and grants into capital assets which in the past year included train systems, stations, railcars, and the multi-use pathway. Current and other assets at June 30, 2019, increased by $5,067,234. The increase was primarily due to increased sales tax revenue and increased revenue from property transactions. Current liabilities increased from $22,591,996 on June 30, 2018 to $23,905,407 on June 30, 2019, which was primarly due to increased payables at year-end related to SMART's capital asset construction activity.

Statement of Revenues, Expenses and Changes in Net Position

	2019	2018	2019-2018 Change
Operating Revenues:			
Fares and other revenues	$ 5,036,875	$ 4,025,111	$ 1,011,764
Total Operating Revenues	5,036,875	4,025,111	1,011,764
Operating Expenses			
Public transporation - rail/pathway development:			
Salaries and Employee benefits (non-capital)	18,453,125	16,950,114	1,503,011
Services and supplies	11,336,573	8,877,465	2,459,108
Depreciation	19,033,577	17,800,126	1,233,451
Loss on Impairment of assets	0	671,378	(671,378)
Other charges	203,883	954	202,929
Total Operating Expenses	49,027,158	44,300,037	4,727,121
Operating (Loss)	(43,990,283)	(40,274,926)	3,715,357
Non-Operating Revenues (Less Expenses)			
Sales/Use taxes	41,241,140	37,135,476	4,105,664
State operating assistance	5,000,756	3,701,366	1,299,390
Investment earnings	1,974,246	724,313	1,249,933
Miscellaneous revenue	4,174,454	2,236,508	1,937,946
Capital expenses passed through to other agencies	(770,156)	(3,778,891)	3,008,735
Interest expense	(5,591,608)	(5,819,778)	228,170
Total Non-Operating Revenues (Net):	46,028,832	34,198,994	11,829,838
Capital Grants	37,345,323	24,941,459	12,403,864
Change in Net Position	39,383,872	18,865,527	20,518,345
Net Position, beginning of year as previously reported	428,180,734	409,315,207	18,865,527
Net Position, end of year	$ 467,564,606	$ 428,180,734	$ 39,383,872

Fiscal Year 2019 Revenues

- SMART revenues consist of operating revenues of $5,036,875 and non-operating revenues less expenses of $46,028,832 -- which is comprised of sales tax receipts and state operating assistance. Sales tax, SMART's single largest ongoing source of revenue, grew a robust 11% (net of fees) over the previous year, although due to the backlog in processing at the State some of that growth can be contributed to the prior year. This growth provides a strong base for SMART's long-term projections in its future financial planning processes.
- Capital grants of $37,345,323 are $12,403,864 higher than the year ended June 30, 2018. These are related to construction of the Larkspur extension, the new Novato Downtown Station, new multiuse pathways, operations facility improvements and rail car payments.
- Miscellaneous revenue increased by $1,937,946 due to property transactions in Santa Rosa and Marin.

Fiscal Year 2019 Expenses

- SMART had operating expenses of $49,027,158, tied to salaries, benefits, other services and supplies. This also includes $19,033,577 in depreciation expense.
- Salaries and benefits increased over the year ended June 30, 2018, by $1,503,011, due to increase in operating staffing costs.
- Services and supplies increased over the year ended June 30, 2018 by $2,459,108, due to a full year of passenger service expenses.
- Other charges of $203,883, an increase over the prior year of $202,929 are from reimbursements related to legal settlements.

Capital Assets

SMART's capital assets, as of June 30, 2019 are $543,330,649 (net of accumulated depreciation) which is an increase of $25,056,461 over June 30, 2018. Assets grew in conjunction with continued construction of the rail and pathway and acquisition of 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

	2019	2018	2019 - 2018 Change
Land	$ 43,532,414	$ 43,518,988	$ 13,426
Intangible Assets (Non-Amortizable)	20,770	20,770	-
Infrastructure	428,720,262	428,606,660	113,601
Revenue Vehicles	42,833,647	42,833,647	-
Buildings and improvements	24,868,302	24,868,302	-
Construction in progress	65,324,720	22,306,954	43,017,766
Equipment	3,535,151	2,589,906	945,245
Intangible Assets	387,672	387,672	-
Accumulated depreciation	(65,892,288)	(46,858,710)	(19,033,578)
Total capital assets, net of depreciation	$ 543,330,649	$ 518,274,188	$ 25,056,461

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

Debt

SMART had $157,163,502 in bonds outstanding and unamortized bond premium at June 30, 2019 compared to $167,528,327 on June 30, 2018. Additional information on SMART's long-term debt can be found in Note 4.

Economic and Other Factors

Economy

SMART transit operations rely directly on the strength of its designated Measure Q sales and use tax receipts. 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 discussed in the Introductory Section in more detail, the economy of the District grew during the fiscal year and exhibited healthy trends in employment and other key factors. The District recently contracted with Beacon Economics to evaluate the economic heath of the District and project future sales tax revenues, which provides the majority of funding for SMART operations. Beacon's report, available on SMART's website, found that the outlook for the local economy in the short run called for steady growth, with nothing on the immediate horizon that would signal a reversal of positive trends. They projected average growth in sales tax of 3.22% from Fiscal Year 2021-2024. While the threat of wildfires continues to affect communities in the region, sales tax revenue for the District has not been affected negatively by those pressures.

Other Factors

SMART continues to hold multi-year contracts with several independent contractors for the Larkspur extension project, for final Phase 1 construction expenses, for four new passenger train cars, and the new Windsor extension project. Most of these projects are grant-funded in nature and do not rely on sales tax or SMART's other revenue sources. At June 30, 2019, SMART's total outstanding commitments under these and other construction-related contracts were approximately $38.8 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.

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS	
Current Assets	
Cash and cash equivalents (Note 2)	$45,845,925
Restricted cash, cash equivalents, and investments with trustee (Note 2)	23,603,697
Due from other governments	12,445,500
Other receivables	9,535,860
Deposits with others	1,673,951
Inventory	2,962,805
Prepaid expenses	1,387,771
Total current assets	97,455,509
Noncurrent Assets	
Capital assets (Note 3):	
Non-depreciable:	
Land	43,532,414
Construction in progress	65,324,720
Intangible assets	20,770
Depreciable (net of accumulated depreciation):	
Infrastructure	370,742,113
Buildings and improvements	21,633,687
Equipment and vehicles	1,794,606
Revenue vehicles	39,978,070
Intangible assets	304,269
Total capital assets, net	543,330,649
Total noncurrent assets	543,330,649
Total Assets	640,786,158
DEFERRED OUTFLOWS OF RESOURCES	
Pension related (Note 5)	2,125,397
OPEB related (Note 6)	1,021
Total Deferred Outflows of Resources	2,126,418
LIABILITIES	
Current Liabilities	
Accounts payable and other current liabilities	10,851,883
Unearned revenue	451,627
Interest payable	2,437,533
Compensated absences - due within one year (Note 1H)	729,364
Long-term debt - due within one year (Note 4)	9,435,000
Total current liabilities	23,905,407
Noncurrent Liabilities	
Compensated absences (Note 1H)	546,713
Net post-employment benefits liability (Note 6)	1,995,296
Net pension liability (Note 5)	870,893
Long-term debt (Note 4)	147,728,502
Other noncurrent liabilities	41,047
Total noncurrent liabilities	151,182,451
Total Liabilities	175,087,858
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 5)	35,771
OPEB related (Note 6)	224,341
Total Deferred Inflows of Resources	260,112
NET POSITION (Note 1L)	
Net investment in capital assets	403,239,649
Unrestricted	64,324,957
Total Net Position	$467,564,606

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, 2019

OPERATING REVENUES	
Fare revenues	$4,094,540
Other operating revenues	942,335
Total operating revenues	5,036,875
OPERATING EXPENSES	
Public transportation - rail/pathway development:	
Salaries and employee benefits	19,370,737
Capitalized employee costs	(917,612)
Services and supplies	11,336,573
Depreciation (Note 3)	19,033,577
Other charges	203,883
Total program operating expenses	49,027,158
Operating loss	(43,990,283)
NON-OPERATING REVENUES (EXPENSES)	
Sales/Use taxes	41,241,140
State operating assistance	5,000,756
Investment earnings	1,974,246
Miscellaneous revenue	4,174,454
Capital expense passed through to other agencies	(770,156)
Interest expense	(5,591,608)
Total non-operating revenues, net	46,028,832
Income before capital grants and contributions	2,038,549
CAPITAL GRANTS	
State of California	2,883,980
Metropolitan Transportation Commission	4,388,830
Sonoma County Transportation Authority- Measure M	55,249
Federal	21,270,383
Other governmental agencies	8,746,881
Total capital grants	37,345,323
Change in net position	39,383,872
NET POSITION	
Beginning of Year	428,180,734
End of Year	$467,564,606

See accompanying notes to basic financial statements

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$4,094,540
Receipts from others	1,192,911
Payments to suppliers for goods and services	(10,913,707)
Payments to and on behalf of employees	(17,926,790)
Net cash provided (used) by operating activities	(23,553,046)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income received	1,889,662
Net cash provided by investing activities	1,889,662
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Sales tax received	39,192,458
State operating assistance	5,028,743
Net cash provided by noncapital and financing activities	44,221,201
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(43,886,802)
Labor costs related to capital projects	(917,612)
Capital grants received restricted for capital purposes	37,503,338
Cash paid on projects on behalf of other governments	(770,156)
Cash receipts for third party infrastructure	4,178,919
Principal payments on long-term debt	(8,365,000)
Interest paid on capital debt	(7,730,850)
Net cash provided (used) by capital and related financing activities	(19,988,163)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,569,654
CASH AND INVESTMENTS AT BEGINNING OF YEAR	66,879,968
CASH AND INVESTMENTS AT END OF YEAR	$69,449,622
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and Cash Equivalents	$45,845,925
Restricted cash, cash equivalents, and investments with trustee	23,603,697
Total cash and cash equivalents	$69,449,622
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating loss	($43,990,283)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	19,033,577
Changes in operating assets and liabilities:	
Prepaid expenses	(86,517)
Accounts receivable	250,576
Accounts payable and other accrued liabilities	713,266
Compensated absences	91,427
Net post-employment benefits obligation	466,509
Net pension liability and related deferred outflow/inflow of resources	(31,601)
Net cash provided (used) by operating activities	($23,553,046)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Amortization of premiums	$1,999,825
Inventory	(177,237)

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, 2019 are as follows:

Beginning Balance	$1,184,650
Additions	(637,937)
Payments	(729,364)
Ending Balance	$1,276,077
Current Portion	$729,364

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 88 - ***Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*** – The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for SMART's fiscal year ending June 30, 2019. See Note 4 for relevant disclosures.

NOTE 2 - CASH AND INVESTMENTS

Cash, cash equivalents, and investments are carried at fair value and are categorized as follows at June 30, 2019:

	Available for Operations	Held by Trustee	Total
Cash equivalent:			
Sonoma County Treasury Pool	$29,287,942	$23,603,697	$52,891,639
Deposits	16,557,983		16,557,983
Total Cash and Investments	$45,845,925	$23,603,697	$69,449,622

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.

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	360 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, 2019. 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 2019 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 of 5 years. 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, 2019:

	Balance June 30, 2018	Additions	Transfers	Balance June 30, 2019
Capital assets not being depreciated:				
Land	$43,518,988		$13,426	$43,532,414
Intangible assets	20,770			20,770
Construction in progress	22,306,954	$44,090,039	(1,072,273)	65,324,720
Total capital assets not being depreciated	65,846,712	44,090,039	(1,058,847)	108,877,904
Capital assets being depreciated:				
Infrastructure	428,606,660		113,602	428,720,262
Buildings and improvements	24,868,302			24,868,302
Equipment and vehicles	2,589,906		945,245	3,535,151
Revenue vehicles	42,833,647			42,833,647
Intangible assets	387,672			387,672
Total capital assets being depreciated	499,286,187		1,058,847	500,345,034
Less accumulated depreciation for:				
Infrastructure	(41,542,100)	(16,436,049)		(57,978,149)
Buildings and improvements	(2,583,666)	(650,949)		(3,234,615)
Equipment	(1,275,615)	(464,930)		(1,740,545)
Revenue vehicles	(1,427,789)	(1,427,788)		(2,855,577)
Intangible assets	(29,542)	(53,861)		(83,403)
Total accumulated depreciation	(46,858,712)	(19,033,577)		(65,892,289)
Total capital assets being depreciated, net	452,427,475	(19,033,577)	1,058,847	434,452,745
Capital assets, net	$518,274,187	$25,056,462		$543,330,649

SMART recognized $19 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.

NOTE 4 – LONG TERM DEBT (Continued)

Long-term debt activity for the year ended June 30, 2019 was as follows:

	Original Issue Amount	Balance June 30, 2018	Retirements	Balance June 30, 2019	Amount due within one year
Bonds Payable:					
Remarketed Series 2011A					
2.00-5.00%, due 3/1/2029	$170,725,000	$154,665,000	$8,365,000	$146,300,000	$9,435,000
Unamortized bond premium	19,371,688	12,863,327	1,999,825	10,863,502	
Total long-term debt, net		$167,528,327	$10,364,825	$157,163,502	$9,435,000

The total projected Measure Q Sales Tax revenue, as reported in the 2014 Measure Q Strategic Plan, is expected to approximate $756.6 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, 2019 was $41,241,140 whereas debt service on the Measure Q bonds was $16,095,850 for the fiscal year ended June 30, 2019.

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, 2019:

For The Year Ending June 30	Principal	Interest
2020	9,435,000	7,312,600
2021	10,565,000	6,840,850
2022	11,745,000	6,315,000
2023	12,990,000	5,727,750
2024 - 2028	85,855,000	17,543,750
2029	15,710,000	785,500
	146,300,000	$44,525,450
Plus: Unamortized Bond Premium	10,863,502	
	$157,163,502	

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.

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, 2019, 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%	6.25%
Required employer contribution rates	8.892%	8.892%	7.634%	6.842%

*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	50
Monthly benefits, as a % of eligible compensation	2.0%-2.7%
Required employee contribution rates	11.5%
Required employer contribution rates	12.141%

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, 2019, the contributions recognized as part of pension expense for the Plans were as follows:

	Safety	Miscellaneous
Contributions - employer	$23,680	$910,518

NOTE 5 – PENSION PLANS (Continued)

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

As of June 30, 2019, 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	$870,184
Safety Plans	709
	$870,893

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, 2017 and 2018 was as follows:

	Miscellaneous
Proportion - June 30, 2017	0.02376%
Proportion - June 30, 2018	0.02309%
Change - Increase (Decrease)	-0.00067%

	Safety
Proportion - June 30, 2017	0.00000%
Proportion - June 30, 2018	0.00001%
Change - Increase (Decrease)	0.00001%

For the year ended June 30, 2019, the District recognized a pension expense of $726,205.

At June 30, 2019, 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	$910,518	
Differences between actual and expected experience	33,387	($11,362)
Changes in assumptions	99,204	(24,313)
Net differences between projected and actual earnings on plan investments	4,302	
Net Change in proportion and differences between actual contributions and proportionate share of contributions	1,054,216	-
Total	$2,101,627	($35,675)

NOTE 5 – PENSION PLANS (Continued)

At June 30, 2019, the District reported $934,198 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, 2020. 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
2020	$605,123
2021	451,249
2022	106,890
2023	(7,828)
Total	$1,155,434

At June 30, 2019, 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	$23,680	
Differences between actual and expected experience	15	
Changes in assumptions	70	($9)
Net differences between projected and actual earnings on plan investments	5	
Net Change in proportion and differences between actual contributions and proportionate share of contributions		(87)
Total	$23,770	($96)

At June 30, 2019, the District reported $23,680 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, 2020. 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
2020	$34
2021	8
2022	(43)
2023	(5)
Total	($6)

NOTE 5 – PENSION PLANS (Continued)

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

	All Plans
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
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	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% 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.

Change of Assumptions **–** For the measurement date of June 30, 2018, the inflation rate reduced from 2.75% to 2.50%.

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	$1,836,919	$5,269
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$870,184	$709
1% Increase	8.15%	8.15%
Net Pension Liability (Asset)	$72,160	($3,028)

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 $133 per month in 2018, and is $136 per month in 2019. As of June 30, 2019, 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, 2018:

Active employees	106
Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	0
Total	107

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, 2018 and the total OPEB liability was determined by an actuarial valuation dated July 1, 2017 that was rolled forward using standard update procedures to determine the $1,995,295 total OPEB liability as of June 30, 2018, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 01, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age actuarial cost method
Actuarial Assumptions:	
Discount Rate	3.56% at June 30 2017, and 3.62% at June 30 2018. 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 3.56% at June 30 2017, and 3.62% at June 30
Premium Increases	Medical Premiums and PEMHCA minimum are assumed to increase as follows: 2020-2023 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 2014 CalPERS OPEB Assumption Model.
Retirement	Rates are taken from 2014 CalPERS OPEB Assumption Model 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 2014 CalPERS OPEB Assumptions Model, 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 2017-18 fiscal year are as follows: Ages 40, 45, 50, 55, 60, 64 amount per age respectfully are $7,581; $9,168; $11,326; $13,968; $16,281; $17,468.

C. Changes in Total OPEB Liability

The changes in the total OPEB liability follows:

	Total OPEB Liability
Balance at June 30, 2017	$1,532,175
Changes Recognized for the Measurement Period:	
Service cost	438,273
Interest on the total OPEB liability	54,494
Differences between expected and actual experience	0
Changes of assumptions	(26,755)
Benefit payments	(2,891)
Net changes	463,121
Balance at June 30, 2018 (Measurement Date)	$1,995,296

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%
2.62%	3.62%	4.62%
$2,507,891	$1,995,296	$1,609,092

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%
$1,589,935	$1,995,296	$2,532,125

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

For the year ended June 30, 2019, the District recognized OPEB expense of $469,874. At June 30, 2019, 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	$1,021	
Differences between actual and expected experience		
Net difference between projected and actual earnings on OPEB plan investments		
Changes of assumptions		$224,341
Total	$1,021	$224,341

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

The $1,021 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. 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
2020	($22,893)
2021	(22,893)
2022	(22,893)
2023	(22,893)
2024	(22,893)
Thereafter	(109,876)
Total	($224,341)

NOTE 7 - COMMITMENTS

A. Lease Commitments

SMART's future noncancellable lease payments are:

Year Ending June 30	Minimum Lease Payment
2020	438,508
2021	448,966
2022	456,363
2023	73,582
Total	$1,417,419

B. Purchase Commitments

At June 30, 2019, SMART had outstanding purchase and contract commitments for the rail and pathway project of $38,775,387.

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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, 2019
Last 10 Years*
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Miscellaneous Plan				
	2015	**2016**	**2017**	**2018**	**2019**
Measurement Period	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Plan's proportion of the Net Pension Liability (Asset)	0.01018%	0.02376%	0.02136%	0.02376%	0.02309%
Plan's proportion share of the Net Pension Liability (Asset)	$633,530	$585,152	$742,146	$936,778	$870,893
Covered Payroll	3,073,231	3,572,374	6,017,592	9,930,773	11,175,297
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%
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%

	Safety Plan **
	2019
Measurement Period	6/30/2018
Plan's proportion of the Net Pension Liability (Asset)	0.00001%
Plan's proportion share of the Net Pension Liability (Asset)	$709
Covered Payroll	$180,138
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	0.39%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	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, 2018

Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

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

	Safety Plan **	
Fiscal Year	2019	
Actuarially determined contribution	$23,680	
Contributions in relation to the actuarially determined contributions	(347,672)	
Contribution deficiency (excess)	-	
Covered payroll	$195,041	5610.40
Contributions as a percentage of covered payroll	178.26%	

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**
Total OPEB Liability		
Service Cost	$478,730	$438,273
Interest	36,782	54,494
Changes of benefit terms		
Differences between expected and actual experience		
Changes of assumptions	(241,085)	(26,755)
Benefit payments	(3,801)	(2,891)
Net change in total OPEB liability	270,626	463,121
Total OPEB liability - beginning	1,261,549	1,532,175
Total OPEB liability - ending	$1,532,175	$1,995,296
Covered payroll	$9,930,773	$11,175,297
Total OPEB liability as a percentage of covered payroll	-15.43%	-17.85%

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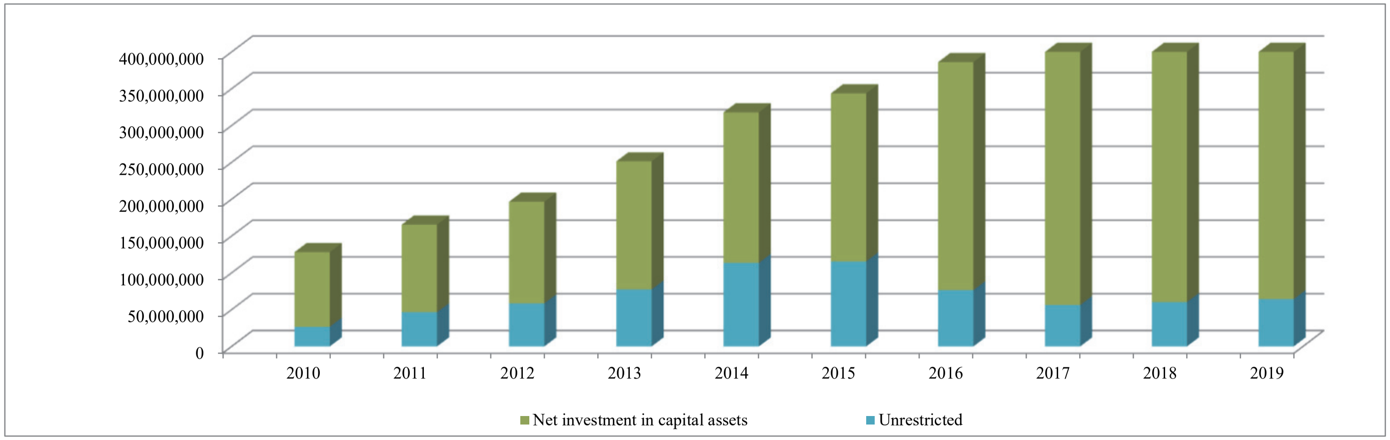
Table 1
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NET POSITION BY COMPONENT
Last Ten Fiscal Years



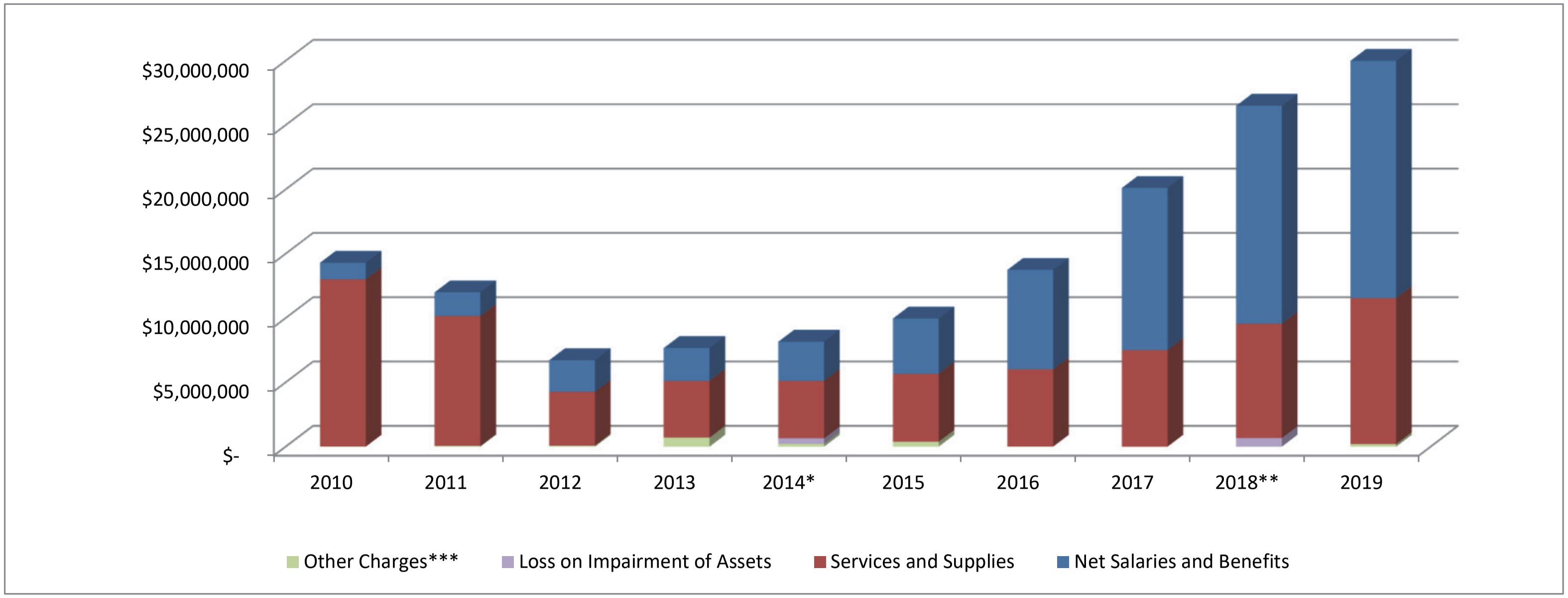
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net investment in capital assets	$101,247,802	$118,948,132	$137,997,431	$173,996,072	$204,389,312	$228,244,612	$309,724,259	$353,088,871	$367,957,650	$403,239,649
Unrestricted	26,788,017	46,507,406	58,533,319	77,347,530	113,506,183	115,465,740	76,452,056	56,226,336	60,223,084	64,324,957
Total net position	$128,035,819	$165,455,538	$196,530,750	$251,343,602	$317,895,495	$343,710,352	$386,176,315	$409,315,207	$428,180,734	$467,564,606

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues:										
Operating Revenue	$564,502	$635,670	$650,877	$597,880	$840,586	$640,249	$529,191	$588,402	$4,025,111	$5,036,875
Total Operating Revenues	564,502	635,670	650,877	597,880	840,586	640,249	529,191	588,402	4,025,111	5,036,875
Operating Expenses:										
Public transportation - rail/pathway development:										
Net salaries and employee benefits	1,330,192	1,831,476	2,597,001	2,683,628	3,041,027	4,303,358	7,736,893	12,610,874	16,950,114	18,453,125
Services and supplies	13,000,858	10,097,972	4,179,668	4,772,700	4,466,562	5,275,106	5,998,630	7,498,986	8,877,465	11,336,573
Depreciation	420,488	472,061	4,527,575	4,527,575	4,473,500	4,575,530	4,610,295	4,716,779	17,800,126	19,033,577
Bad Debt	1,725									
Loss on impairment of assets					433,295				671,378	0
Other charges	3,180	53,471	76,671	700,783	215,922	380,000	7,541	212	954	203,883
Total Operating Expenses	14,756,443	12,454,980	11,380,915	12,684,686	12,630,306	14,533,994	18,353,359	24,826,851	44,300,037	49,027,158
Operating loss	(14,191,941)	(11,819,310)	(10,730,038)	(12,086,806)	(11,789,720)	(13,893,745)	(17,824,168)	(24,238,449)	(40,274,926)	(43,990,283)
Nonoperating Revenues (Expenses):										
Sales/Use taxes	24,059,929	26,826,843	28,303,501	30,435,753	32,473,329	33,845,426	34,776,012	36,061,895	37,135,476	41,241,140
State operating assistance									3,701,366	5,000,756
Investment earnings	93,215	192,500	437,618	1,495,066	1,182,159	1,384,557	585,178	366,748	724,313	1,974,246
Sale of contract option		758,825								
Capital expense passed through to other agencies						(1,557,743)	(295,894)	(62,636)	(3,778,891)	(770,156)
Miscellaneous revenue	38,445	46,400	26,236	62,178	65,638	49,351	2,264,334	438,639	2,236,508	4,174,454
Interest expense			(1,117,492)	(5,328,770)	(4,420,558)	(2,761,502)	(805,558)	(1,164,558)	(5,819,778)	(5,591,608)
Total Nonoperating Revenues	24,191,589	27,824,568	27,649,863	26,664,227	29,300,568	30,960,089	36,524,072	35,640,088	34,198,994	46,028,832
Income before capital contributions	9,999,648	16,005,258	16,919,825	14,577,421	17,510,848	17,066,344	18,699,904	11,401,639	(6,075,932)	2,038,549
Capital grants and contributions:										
State of California	12,810,517	9,787,099	8,148,143	24,130,596	4,295,318	3,381	284,094	458,549	837,950	2,883,980
Metropolitan Transportation Commission	1,871,307	6,046,018		4,541,421	35,500,504	7,119,973	2,683,108	5,007,846	9,939,309	4,388,830
Sonoma County Transportation Authority			4,594,099	5,758,121	5,136,487	35,358	47,780	33,440	356,219	55,249
Federal Grants		1,960,000	1,203,349	6,021,838	2,562,581	500,595	3,779,595	2,750,431	9,450,100	21,270,383
Other governmental agencies	18,456,229	3,621,344	209,796	666,592	1,543,983	1,534,698	749,376	3,036,898	4,357,881	8,746,881
Donated asset							16,222,106	1,116,726		
Total Capital Contributions	33,138,053	21,414,461	14,155,387	41,118,568	49,038,873	9,194,005	23,766,059	12,403,890	24,941,459	37,345,323
Change in net position	$43,137,701	$37,419,719	$31,075,212	$55,695,989	$66,549,721	$26,260,349	$42,465,963	$23,805,529	$18,865,527	$39,383,872

Source: SMART's basic financial statements.

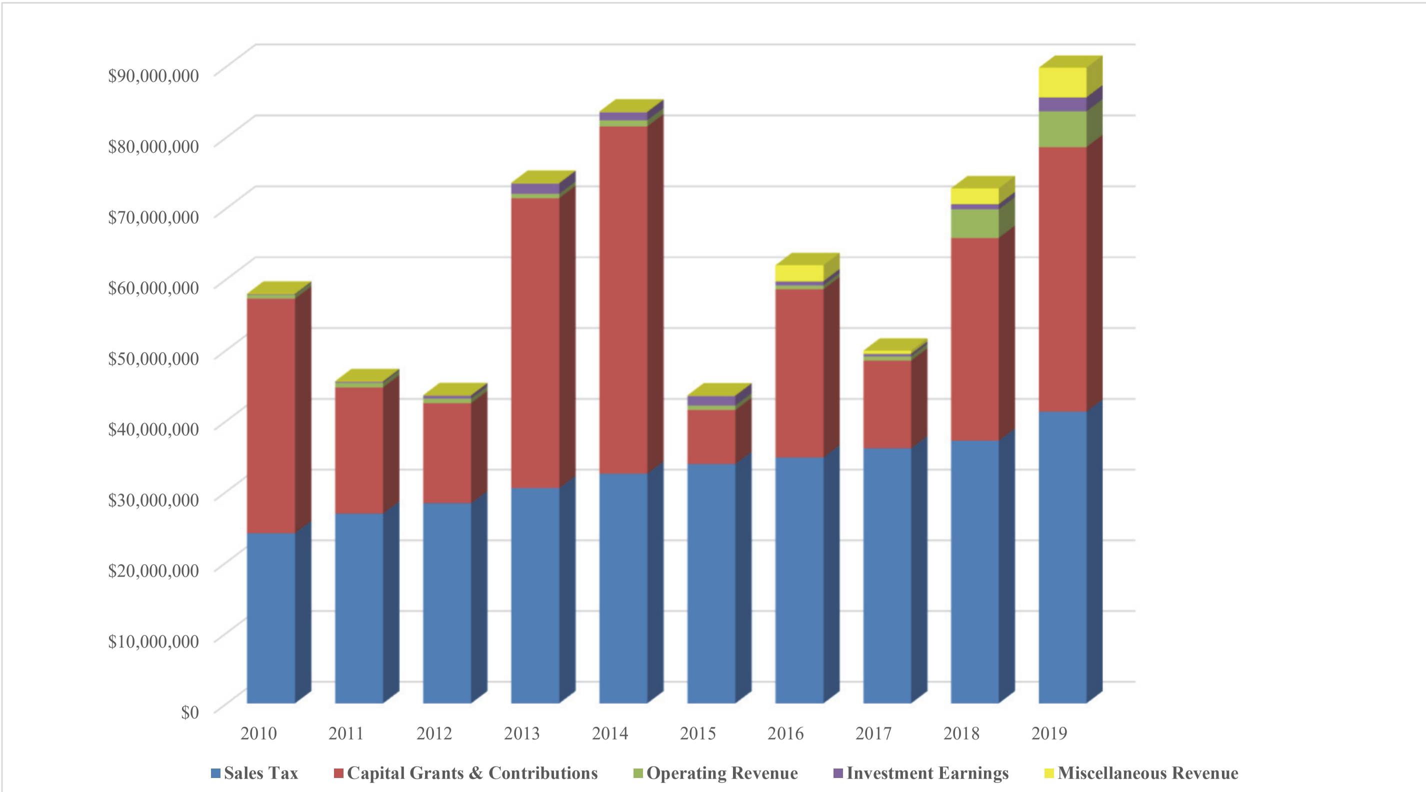
Table 3
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NON-CAPITAL EXPENSE BY CATEGORY
Last Ten Fiscal Years



Fiscal Year Ended June 30	Net Salaries and Benefits	Services and Supplies	Other Charges***	Loss on Impairment of Assets	Debt Service (Cash Basis) Expense	Total
2010	$ 1,290,967	$ 13,000,858	$ 3,180	$ -	$ -	$ 14,295,005
2011	1,847,662	10,097,972	53,471	-	-	11,999,105
2012	2,462,175	4,179,668	76,671	-	192,575,357	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	8,456,950	8,156,806
2015	4,303,358	5,275,106	380,000	-	8,456,950	9,958,464
2016	7,736,893	5,998,630	7,541	-	12,996,950	13,743,064
2017	12,610,874	7,498,986	212	-	13,600,350	20,110,072
2018**	16,950,114	8,877,475	954	671,378	14,204,100	26,499,921
2019	$ 18,453,125	$ 11,336,573	$ 203,883	$ -	$ 16,095,850	$ 29,993,581

Source: Sonoma-Marin Area Rail Transit District Audit Reports
*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	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	28,642,825	4,025,111	724,313	2,236,508	72,764,233
2019	$ 41,241,140	$ 37,345,323	$ 5,036,875	$ 1,974,246	$ 4,174,454	$ 89,772,038

Source: Sonoma-Marin Area Rail Transit District Financial Reports

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)
2010	0.25%	$ 24,059,929	$ 3,751,474	$ 6,321,094	$ 10,072,568
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

Source: California Department of Tax and Fee Administration

Table 6
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
OVERLAPPING GOVERNMENTS AND SALES TAX RATES
Last Eight 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%

Sonoma County

Fiscal Year	State(a)	City	County(c)	SMART(d)	Total
2012	7.25%	0 to 0.50%	0.50%	0.25%	8.25% to 8.5%
2013	7.50%	0 to 0.50%	0.50%	0.25%	8.25% to 8.5%
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%	0.880%	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 decrease 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 Spa 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 2019**			Fiscal Year 2011*		
Principal Revenue Payers: Sales Tax Generators	**Percentage**		**Total Receipts**	**Percentage**		**Total Receipts**
General Retail	27.8%	$	11,958,307	30.5%	$	7,978,547
Auto and Other Transportation	20.7%		8,928,732	21.4%		5,597,576
Food & Beverage Products	19.1%		8,229,575	19.0%		4,972,020
Business to Business	17.2%		7,405,134	15.9%		4,156,846
Construction Related	12.4%		5,317,838	10.7%		2,796,876
Miscellaneous	2.8%		1,214,355	2.5%		654,932
Totals	100%	$	43,053,941	100%	$	26,156,797

*First available year of SMART sales tax payer analysis
**Based on Analysis by MuniServices, Categorizations and Totals May Differ from BOE/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
6/30/2019	$ 41,241,140	$ 41,241,140	$ 7,730,850	$ 8,365,000	$ 16,095,850	2.56
6/30/2020		42,478,374	7,312,600	9,435,000	16,747,600	2.54
6/30/2021		43,752,725	6,840,850	10,565,000	17,405,850	2.51
6/30/2022		45,065,307	6,315,000	11,745,000	18,060,000	2.50
6/30/2023		46,417,266	5,727,750	12,990,000	18,717,750	2.48
6/30/2024		47,809,784	5,078,250	14,290,000	19,368,250	2.47
6/30/2025		49,244,078	4,363,750	15,660,000	20,023,750	2.46
6/30/2026		50,721,400	3,580,750	17,100,000	20,680,750	2.45
6/30/2027		52,243,042	2,725,750	18,610,000	21,335,750	2.45
6/30/2028		53,810,334	1,795,250	20,195,000	21,990,250	2.45
6/30/2029		$ 55,424,644	$ 785,500	$ 15,710,000	$ 16,495,500	3.36
					Maximum Annual Debt Service Coverage:	**2.32x**

*Sales tax revenue growth projected 3% in future years
**Debt service shown is cash basis

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	$ 52,401,105,000	759,684	0.37%	$ 253
2015	190,096,688	56,512,049,000	762,528	0.34%	249
2016	183,318,018	58,680,231,000	763,721	0.31%	240
2017	175,819,899	63,211,402,000	767,218	0.28%	229
2018**	167,528,327	63,843,516,020	774,890	0.26%	216

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
**2018 Most recent complete data available

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 Ten Fiscal Years

Marin County

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2010	252,731	$ 20,748,885	$ 82,021	8.0%
2011	254,359	22,741,276	89,009	7.4%
2012	254,882	23,918,732	93,407	6.3%
2013	258,365	25,093,401	97,124	5.0%
2014	260,516	27,176,774	104,319	4.3%
2015	261,054	29,227,230	114,455	3.6%
2016	260,651	30,222,883	117,552	3.4%
2017	263,886	32,867,529	124,552	2.9%
2018**	266,525	$ 33,196,204	$ 124,552	2.3%

Sonoma County

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2010	484,084	$ 21,080,297	$ 43,482	10.5%
2011	486,778	22,356,767	45,805	9.8%
2012	489,283	23,548,182	47,879	8.6%
2013	495,025	24,905,827	50,312	6.7%
2014	499,168	25,224,331	50,533	5.6%
2015	501,474	27,284,819	55,445	4.5%
2016	503,070	28,457,348	57,264	4.1%
2017	503,332	30,343,873	60,286	3.4%
2018*	508,365	$ 30,647,311	$ 60,286	2.7%

*2018 Most recent complete data available

Sources:

Population, Per Capita — 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 2019		
Employer	Number of Employees	Percent of Total Employment**
BioMarin Pharmaceutical	2,500	1.78%
County of Marin	2,313	1.65%
Kaiser Permanente San Rafael Medical Center	2,014	1.43%
San Quentin State Prison	1,778	1.27%
Marin General Hospital	1,109	0.79%
Glassdoor	800	0.57%
Novato Unified School District	800	0.57%
Dominican University of California	750	0.53%
Autodesk	700	0.50%
Novato Community Hospital	354	0.25%

Sonoma County 2019		
Employer	Number of Employees	Percent of Total Employment**
County of Sonoma	3,722	1.43%
Kaiser Permanente	3,008	1.15%
Santa Rosa Junior College	3,006	1.15%
St. Joseph Health, Sonoma County	2,500	0.96%
Graton Resort and Casino***	2,000	0.77%
Keysight Technologies***	2,000	0.77%
Santa Rosa School District***	1,691	0.65%
City of Santa Rosa	1,300	0.50%
Safeway, Inc***	1,200	0.46%
Jackson Family Wines	1,098	0.42%

*The "9 Years Ago" data unavailable, SMART records began 2013
Data Reflects August 2018 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

**Calculated using California Employment Development Department
***Utilized 2018 data, 2019 not available

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

Start of Operations	August 2017	**Rail Stations in Service**	10
Form of Governance	Board of Directors with General Manager	**Park and Ride Lots**	4
Service Area	Sonoma and Marin Counties, California	**Rail Vehicles in Service**	14
Miles of Commuter Rail in	43		

OPERATING STATISTICS

Fiscal Year	Ridership	Fare Revenue	Average Fare	Revenue Vehicle Hours	Revenue Vehicle Service Miles
2018-19*	710,472	$3,704,380	$5.74	32,560	923,002
2017-18	636,029	$3,209,717	$6.15	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	$213-$138	

*2018-19 is the first full year of service; ridership 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**
General Manager	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
Capital Projects	11.8	13.8	13.9	13.2	8.1	6.0	11.0
Administration	5.6	8.0	8.4	9.0	13.3	15.0	18.0
Finance	5.8	5.8	5.8	6.1	6.2	7.0	8.0
Operations	1.0	1.3	4.7	36.9	79.4	86.0	99.5
Safety & Security	0.0	0.0	0.8	1.0	2.0	3.0	4.5
Total	**25.2**	**30.7**	**35.6**	**68.6**	**112.8**	**121.0**	**145.0**

* FY 2013 was the first year SMART prepared Statistical Charts, no data available for prior years

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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, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2019.

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.

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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 December 6, 2019 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
December 6, 2019