



**DATE:** December 10, 2025  
**TO:** Citizens Oversight Committee Member  
**FROM:** Heather McKillop, Chief Financial Officer  
**SUBJECT:** Annual Comprehensive Financial Report for Fiscal Year (FY) 2024-2025

**RECOMMENDATIONS:** Review SMART's Fiscal Year 2024-2025 Annual Comprehensive Financial Report.

**SUMMARY:**

Following the close of each fiscal year, SMART's finance staff prepares a summary of our financial activities for the year following best practices and guidelines issued by the Government Accounting Standards Board (GASB). Our financial reports are reviewed, tested, and adjusted by our independent auditor.

**BACKGROUND:**

Annual Comprehensive Financial Report (ACFR)

The ACFR is a best practice in government for presenting annual financial information. The contents of the annual report are consistent from year to year. In addition to basic audited financial statements and notes, the report contains a Letter of Transmittal which provides an overview of the district, its activities and financial practices, a Management Discussion providing an overview of the statements and a statistical section which provides general, historical, and regional information. It also contains the Independent Auditor's Report which states that the financial statements present fairly, in all material respects, the respective financial position of the district as of June 30, 2025.

Key measurements of the district's financial status are outlined in the Management Discussion and Analysis. It includes the following:

Passenger Rail and Pathway

- Net sales tax collections were \$48.8 million or \$33,281 less than FY 24 or a .07% difference.
- Fare revenues were 5% higher than FY 24
- Passenger operating expenses were \$45.7 million which is a \$7.5 million increase over FY 24.

- Assets exceeded liabilities by \$661.2 million (net position) of this amount, \$139.8 million was restricted.

#### Freight

- Total revenues were \$2.05 million or \$315,862 less than FY 24.
- Operating expenses were \$1.8 million which was \$513,231 less than FY 24.
- Assets exceeded liabilities by \$13.1 million, of this amount, \$724,579 was restricted.

#### Federal Awards Report

In addition to the regular audit, SMART is required to undergo a separate audit process related to significant expenditures of federal funds, called the Single Audit. This audit is to ensure compliance with Title 2 U.S. Code of Federal Regulations CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit requirements for Federal Awards (Uniform Guidance). When completed, this audit document is provided to our federal funding agencies. The Single Audit is usually completed and presented to the Board with our Annual Comprehensive Financial Audit; however, this year there have been regulatory delays. The final version of the OMB Compliance Supplement was just released which is the document that auditors utilize as guidance in performing the audit. SMART's Single Audit will be presented to the Board when it has been completed.

**FISCAL IMPACT:** None

**REVIEWED BY:** [ X ] Finance \_\_\_\_\_ [ X ] Counsel \_\_\_\_\_

Sincerely,

/s/

Heather McKillop  
Chief Financial Officer

#### **Attachment(s):**

- 1) Annual Comprehensive Financial Report
- 2) Governance Letter





We connect communities

# Annual Comprehensive Financial Report For Fiscal year Ended June 30, 2025

Sonoma-Marin Area Rail Transit District  
Petaluma, California

**SONOMA-MARIN AREA RAIL  
TRANSIT DISTRICT  
PETALUMA, CALIFORNIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2025**

**PREPARED BY THE FINANCE DEPARTMENT**

# Sonoma-Marin Area Rail Transit District

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June 30, 2025

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**Eric Lucan, Chair**  
Marin County Board of Supervisors

**Melanie Bagby, Vice Chair**  
Sonoma County Mayors' and  
Councilmembers Association

November 6, 2025

**Kate Colin**  
Transportation Authority of Marin

**Chris Coursey**  
Sonoma County Board of Supervisors

**Rachel Farac**  
Transportation Authority of Marin

Debora Fudge  
Sonoma County Mayors' and  
Councilmembers Association

Patty Garbarino  
Golden Gate Bridge,  
Highway/Transportation District

Barbara Pahre  
Golden Gate Bridge,  
Highway/Transportation District

**Gabe Paulson**  
Marin County Council of Mayors and  
Councilmembers

**David Rabbitt**  
Sonoma County Board of Supervisors

**Chris Rogers**  
Sonoma County Mayors' and  
Councilmembers Association

**Mary Sackett**  
Marin County Board of Supervisors

**Eddy Cumins**  
General Manager

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To the Board of Directors, Residents, and Stakeholders of the Sonoma-Marín Area Rail Transit District:

State law requires that the Sonoma-Marín Area Rail Transit District (SMART) "cause a post audit of the financial transactions and records of the district to be made at least annually by a certified public accountant." Pursuant to that requirement, the Annual Comprehensive Financial Report of the District for the fiscal year end June 30, 2025, is hereby issued.

The report consists of management's representation concerning the finances of SMART. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of SMART's financial statements in conformity with generally accepted accounting principles (GAAP). The cost of internal controls should not outweigh the benefits; SMART's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As the General Manager, I assert that, to the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

SMART's financial statements have been audited by Eide Bailly, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of SMART for the fiscal year ending June 30, 2025, are free from material misstatement. The independent audit involved examining evidence supporting the amounts and disclosures in the financial statements on a test basis; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that SMART's financial statements for the fiscal year ending June 30, 2025 are fairly presented in conformity with GAAP.

The report consists of three sections:

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

The independent audit of SMART's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statement in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. SMART's MD&A can be found immediately following the report of the independent auditors.

## **SONOMA-MARIN AREA RAIL TRANSIT DISTRICT (SMART)**

The Sonoma Marin Area Rail Transit (SMART) District was established by the California Legislature through the enactment of AB 2224 in 2002. The SMART District was created for the purpose of providing unified and comprehensive structure for the ownership and governance of passenger and freight rail system within Sonoma and Marin Counties and to provide passenger and freight rail service along the existing publicly owned railroad right-of-way.

### Passenger

SMART passenger rail service began in August of 2017 with two-way passenger train service on 43 miles to 10 stations between Downtown San Rafael in Marin County and Airport Boulevard in Sonoma County. In late 2019, two new stations were completed in Downtown Novato and Larkspur near the regional Ferry to San Francisco. These two stations in Marin County brought rail service to 45 miles with 12 passenger stations. In 2025, SMART opened two more stations, one in-fill station in Petaluma and a new station in Windsor. This brings the current total passenger rail line to 48 miles and 14 stations. SMART and its local partners have completed 38 miles of an ancillary bicycle/pedestrian pathway connecting to the SMART's stations where cyclists can find secure parking at the station or on-board the train for their bikes.

Train service is provided in state-of-the-art diesel multiple unit (DMU) rail vehicles utilizing one of the first Positive Train Control systems for passenger rail.

### Freight

SMART was granted freight common carrier status by the Surface Transportation Board in June 2021 and began operating freight service in 2022. SMART was granted ownership of the railroad between the Mendocino County line and Healdsburg in 2021 from the State of California and maintains freight accommodations on the SMART-owned rail line between American Canyon and through Novato northward, as authorized in SMART's enabling and subsequent legislation.

In 2022, SMART assumed the freight operations from the Northwestern Pacific Railroad Company (NWP Co), which had been operating service from American Canyon in Napa County to Petaluma since 2011. SMART has provided accommodation to freight along the corridor including gauntlet tracks at each station, upgraded freight rail sidings, passenger rail vehicles that meet applicable Federal Railroad Administration safety standards for interaction with freight equipment, and installation of "positive train control" equipment on all SMART-owned freight locomotives and along the entire right-of-way. SMART became the freight common carrier on the railroad with a Surface Transportation Board approval to assume freight operator responsibilities from the private freight operator on the corridor (June 11, 2021, STB Docket 1310X). SMART's Board authorized the hiring of freight-only employees to operate the short-line freight services; SMART began operations with our own staff on July 1, 2022.

### **GOVERNANCE**

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

SMART is primarily funded by a one-quarter of one cent sales tax approved by voters in the SMART District in 2008, a District which encompasses the two Counties of Sonoma and Marin.

### **FACTORS AFFECTING FINANCIAL CONDITION**

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



SMART's passenger service and pathways currently operate in Marin and Sonoma Counties. These two 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.

SMART's finances have relied on the strength of its voter-approved sales tax revenue which was approved in 2008 and in Fiscal Year 2025 provided 63% of SMART's annual revenues. Sales tax revenue is directly linked to local employment rates and median incomes. The district is home to a wealthy taxpayer base. The per capita income in Marin County is \$204,044 and Sonoma County is \$93,011. In addition, the most recent unemployment data shows Marin County's and Sonoma County's unemployment rate at 4.5% and 4.6% respectively compared to the State of California at 5.5%. SMART also receives significant funding from the State of California for its transit services that is ultimately derived from state fuel and sales taxes.

Since the start of SMART service eight years ago, there have been multiple federal disaster declarations in Sonoma and Marin counties, including wildfires, flooding, extended public utility shut offs and the COVID-19 pandemic. SMART has experienced service disruption in several of these events, including evacuation of SMART's rolling stock and temporary closure of the northernmost stations, along with service reductions due to COVID-19.

SMART initiated service in August 2017 with 34 trips/weekday and increased to 38 trips/weekday in January 2020 with the opening of the Larkspur extension. SMART modified services in March 2020 due to the pandemic, with weekend service annulled, and weekday service reduced to 16 trips. In May 2021, SMART added back 10 weekday trips. Saturday service was restored in May 2021, and Sunday service in May 2022. In June 2022, SMART added 10 additional weekday trips, and in October 2022, SMART added two additional midday trips, for a schedule of 38 trips per weekday. During the summer of 2023, SMART ran a pilot weekend evening service, known as the Starlighter, in response to rider requests. In October 2023, weekend service was increased, running 16 trips total on both Saturday and Sunday. SMART currently runs 42 trips on weekdays and 16 trips on Saturday and Sunday.

As of the end of Fiscal Year 2025, SMART is operating more service than ever before and is more affordable than pre-pandemic. Ridership is hitting record highs, with SMART achieving the highest ridership recovery rate in the Bay Area, and the second highest rate for commuter rail in the nation. Unlike many rail systems nationwide, which are designed to carry commuters into a central business district, SMART's ability to serve origins and destinations throughout the corridor, with strong bidirectional travel, enabled the system to recover from the pandemic and begin expanding into new markets.

For the first time in our history, SMART carried over 1 million passengers (1,123,685) in Fiscal Year 2025. In addition, SMART carried over 17,000 passengers on shuttle services operating between the SMART station in Sonoma County and the Sonoma County Airport in the north and between the Larkspur station and the Golden Gate Ferry Terminal in the south. In Fiscal Year 2023, SMART installed bicycle and pedestrian counters on the pathway system. In Fiscal Year 2025, the pathway had over 1,029,421 users which was an increase of 39% over fiscal year 2024. In addition, SMART broke another record carrying over 146,898 bicycles on-board, an increase of 28% over Fiscal Year 2024.

## FINANCIAL PLANNING

Since the passage of Measure Q in 2008, SMART has completed a Strategic Plan every five years. In 2009, SMART prepared and approved its first Strategic Plan, which focused on initiation of the SMART capital project and the funding available for that project. The Great Recession was just beginning to make its impacts felt, affecting the sales tax starting in 2008 through 2010; this initial reduction meant an overall reduction in the sales tax revenue stream for bonding purposes in 2011. Ultimately the difference in the 20-year stream between the SMART initial sales tax proposal and later plans meant a loss of over \$100 million for SMART. This led SMART to reevaluate the capacity to deliver the full 70-mile system, in the face of a falling revenue stream, cost increases tied to new regulatory requirements, the realities of construction in an active freight corridor, and significant environmental mitigation expectations. Board policy conversations with regional input outlined the initial plan for SMART's phasing. With that consensus, SMART proceeded with steps to secure the grants, financing and contracts needed to build the first operating segment.

The 2014 Strategic Plan summarized the subsequent decision-making by the Board to build the SMART project in phases and provided updates on the decisions made as part of the capital buildout. The initial operating segment was under construction at that time, from downtown San Rafael to Railroad Square in Santa Rosa. SMART's ability to move quickly during a slow economic time led to favorable bid results, construction savings, greater confidence in the success of the project and ultimately further project expansions. Favorable contract negotiations resulted in the expansion of the first phase project to include the Novato San Marin Station and the Santa Rosa North Station. State and regional funding agencies were willing to grant more funds to SMART as a "shovel-ready" project with momentum and the track was able to be fully rebuilt between Santa Rosa North and the SMART Rail Operations Center with a station added at Airport Boulevard in Sonoma County. The 2014 Strategic Plan included more informed estimates for the cost of opening and operating rail passenger service utilizing state of the art trains, tracks, signals and related infrastructure. Between the 2014 Strategic Plan and its successor document, SMART secured funding to add two additional miles and two stations (Larkspur and Downtown Novato) into the system. These projects were brought online for passenger use as the 2019 Strategic Plan was being finalized.

The 2019 Strategic Plan was the first plan since SMART completed construction of the initial operating segment and began operating passenger rail service in August of 2017. The Plan documented the progress to date and focused on a path forward, which included plans to seek voter approval to extend the current sales tax past its 2029 expiration date through a 2020 ballot initiative. Consistent with the direction of the 2019 Strategic Plan, SMART placed the sales tax reauthorization ballot initiative, Measure I, on the March 2020 ballot, just as the pandemic arrived. The reauthorization effort failed to receive the two-thirds super majority required to pass, instead receiving 54% across the SMART District of Sonoma and Marin Counties. In addition to the unfavorable outcome of the 2020 ballot initiative, the COVID-19 Pandemic dramatically altered conditions for SMART's transit services as extended stay-at-home mandates and prolonged social distancing protocols altered the public's travel behavior and required SMART operations to adjust to reduced travel and increased public health and safety protocols.

In December of 2024, the SMART Board of Directors adopted the 2025-2030 Strategic Plan. This Strategic Plan directly influences SMART's financial plan by providing the roadmap for achieving SMART's goals, which informs the allocation of resources, investment decisions, and budgeting strategies needed to execute those goals. The financial plan guides the annual budget by identifying key priorities and challenges that need to be addressed over a longer timeframe. While many of the strategic plan's actions are currently funded fully or partially, other activities and initiatives in this plan do not have committed funds. Using the Strategic Plan to shape SMART's annual budgeting process and ongoing grant applications ensures that the agency's resources are put to work to achieve the goals that SMART and the public fortified in the plan.

## **FINANCIAL INFORMATION**

SMART's management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. SMART has designed its internal control structure to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the costs of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgment by management.

Independent Audit: SMART's enabling legislation requires an annual audit by an independent certified public accountant. The accounting firm Eide Bailly, LLP, performed the audit. This audit is also designed to meet the requirements of the Federal Single Audit 2 CFR 200.501, Uniform Grant Guidance and related 2 CFR 200, Uniform Grant Guidance - Uniform Administrative Requirements, Cost Principles, and Audit Requirements. The auditor's report on the financial statements and schedules are included in the Financial Section of this report.

Investment Policy: SMART's investment policy is intended to outline the guidelines and practices to be used in effectively managing SMART's available cash and investment portfolio. In accordance with California Government Code Section 53600.5, and in order of importance, the Chief Financial Officer of SMART is required to adhere to the following three criteria: (1) Safety of Principal (2) Liquidity (3) Return on Investment.

Risk Management: SMART purchases insurance in its efforts to protect assets and control and prevent losses. Commercial insurance policies provide coverage including Railroad Protective and Railroad Liability, Auto, General Liability, Property, Worker's Compensation, Crime, Public Officials Liability & Employment Practices, and Deadly Weapons Response Program.

## CONCLUSION

The financial statements presented here show the magnitude of the public assets that have resulted from the voters' approval of the SMART sales tax measure in 2008. Measure Q revenues have made possible not only the construction of a world-class transit system, but also the ongoing operation and maintenance of that system in the future. Certainly, the challenges of the COVID pandemic had an impact on SMART and our customers but thanks to an impressive ridership recovery, and with continued leadership from the Board, ongoing vigilance on maintaining necessary reserves, and planning for future financial challenges, SMART's current and future operations will remain on solid footing.

## ACKNOWLEDGEMENTS

Timely preparation of the annual comprehensive financial report was made possible by the dedicated service of the Finance Department led by Heather McKillop, Chief Financial Officer. Special thanks goes to Kathy Holt, SMART's Accounting Manager. I extend my sincere appreciation to each of them for their contributions. Moreover, I thank the Board of Directors for its continued support and leadership.

Sincerely,



Eddy Cumins  
General Manager



Heather McKillop  
Chief Financial Officer

## Sonoma-Marin Area Rail Transit District

Principal Officials  
As of June 30, 2025

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### Sonoma-Marin Area Rail Transit District Board of Directors Fiscal Year 2024-2025

Chris Coursey, Chair Sonoma County Board of Supervisors	March Sackett, Vice Chair Marin County Board of Supervisors
Janice Cader Thompson Sonoma County Mayors' and Councilmembers'	Kate Colin Transportation Authority of Marin
Victoria Fleming Sonoma County Mayors' and Councilmembers'	Patty Garbarino Golden Gate Bridge, Highway and Transportation District
Ariel Kelley Sonoma County Mayors' and Councilmembers'	Eric Lucan Marin County Board of Supervisors
Mark Milberg Transportation Authority of Marin	Barbara Pahre Golden Gate Bridge, Highway and Transportation District
Gabe Paulson Marin County Council of Mayors' and Councilmembers'	David Rabbitt Sonoma County Board of Supervisors

### Organization Structure

The Board of Directors appoints a General Manager for the District. In addition to the General Manager, the Board also appoints the Chief Financial Officer and the General Counsel.

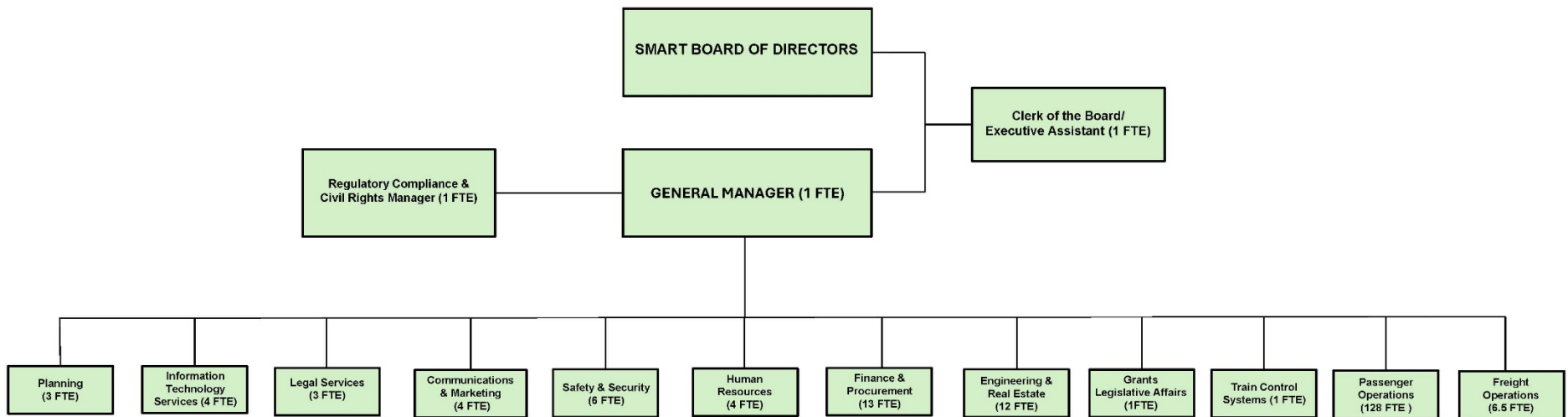
General Manager – Eddy Cumins
Chief Financial Officer – Heather McKillop
General Counsel – Tom Lyons & Jessica Sutherland





Total FTE: 188.5

## ORGANIZATION CHART



Updated: August 21, 2025\_SF

Sonoma-Marin Area Rail Transit District  
System Map  
June 30, 2025





## **Independent Auditor's Report**

To the Governing Board of the  
Sonoma-Marín Area Rail Transit District  
Petaluma, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the passenger and freight enterprise funds of the Sonoma-Marín Area Rail Transit District (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the passenger and freight enterprise funds of the Sonoma-Marín Area Rail Transit District, as of June 30, 2025, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the district's proportionate share of the net pension liability, schedule of pension contributions, and a schedule of changes in the total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our November 6, 2025 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Menlo Park, California  
November 6, 2025



Management's Discussion and Analysis  
June 30, 2025

# Sonoma-Marín Area Rail Transit District

## Management's Discussion and Analysis

As management of the Sonoma-Marín Area Rail Transit District (SMART or District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2025. We encourage readers to review the information presented here in conjunction with the District's basic financial statements and accompanying notes.

## Highlights

### Passenger Service

In Fiscal Year 2025, SMART celebrated its seventh year of passenger service. We initiated service in August 2017 with 34 trips/weekday, and increased to 38 trips/weekday in January 2020, with the opening of the Larkspur extension. We modified services in March 2020 due to the pandemic, with weekend service annulled, and weekday service reduced to 16 trips. In May 2021, 10 weekday trips were added back. Saturday service was restored in May 2021 and Sunday service in May 2022. In June 2022, there were 10 additional weekday trips added, and in October 2022, we added two additional midday trips, for a schedule of 38 trips per weekday. In October 2023, we increased weekend service, running 16 trips total on both Saturday and Sunday. In August of 2024, we added four additional trips for a total of 42 trips each weekday.

Ridership in Fiscal Year 2025 surpassed one million riders for the first time ever a 32% increase over Fiscal Year 2024. There were over 1,029,421 pathway trips, a 39% increase over Fiscal Year 2024 with usage being split 50/50 between bicyclists and pedestrians.

In Fiscal Year 2025, we opened a three-mile commuter rail extension to the town of Windsor and an infill station in Petaluma bringing our total stations to 14.

SMART's largest funding source for passenger rail is a one quarter of one percent (1/4%) sales tax. The sales tax was passed in November 2008 for a period of 20 years beginning on April 1, 2009. Sales tax makes up approximately half of total revenues. In addition, we have received state and federal grants to assist in funding operations as well as capital improvements such as new stations, pathways, and the extension to the town of Healdsburg.

### Financial Statistics - Passenger

- Net sales tax collections were \$48,804,068 in Fiscal Year 2025 which was \$33,281 less than Fiscal Year 2024 by 0.07%.
- Fare revenues were 5% higher than in Fiscal Year 2024.
- Operating expenses, excluding depreciation and amortization expense, were \$45.7 million in Fiscal Year 2025 which is a \$7,454,826 increase from Fiscal Year 2024.
- Assets increased \$41.6 million or 6% increase over Fiscal Year 2024.
- Assets exceeded liabilities at the close of the year ended June 30, 2025, by \$661.2 million (net position). Of this amount, \$139.8 million is unrestricted.

### Freight

California S.B. 1029 authorized SMART to operate freight service by rail. It also provided funding in the amount of \$4 million for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company (NWPCo.). In July 2021, SMART officially became the freight common carrier for the rail line the runs from Novato (MP B25.6) to just east of the Napa River (MP B49.80) and from Larkspur (MP 15) to the Sonoma/ Mendocino County line (MP 89). NWPCo. continued to operate the line and collect the associated revenues until March 1, 2022, when final close took place. SMART hired a 3<sup>rd</sup> party operator to operate freight services on behalf of SMART until SMART could onboard the necessary employees to run the freight operations in-house. On July 1, 2022, SMART took over operations with internal staff.

### Financial Statistics - Freight

- Total revenues for Freight service were \$2.05 million or \$ 315,862 less than Fiscal Year 2024.
- Operating expenses, excluding depreciation and amortization expense, were \$1.8 million which was \$513,231 less than Fiscal Year 2024.
- Assets increased by \$5.2 million or 37% from Fiscal Year 2024.
- Assets exceeded liabilities at the close of the year ended June 30, 2025, by \$13.1 million (net position). Of this amount, \$724,579 is unrestricted.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements which are comprised of financial statements and the notes to the basic financial statements. the District provides its financial information utilizing 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 the District.

### **Basic Financial Statements**

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

The statement of net position presents information on all the District'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 the District is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the District'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 20-45 of this report.

### Adoption of GASB 101 (Compensated Absences)

Effective July 1, 2024, the District adopted GASB Statement No. 101, *Compensated Absences*. GASB 101 establishes a unified recognition model that (i) requires recognition of liabilities for leave earned but not used when it accumulates and is more likely than not to be used or paid, and for leave used but not yet paid, (ii) measures such liabilities at year-end pay rates and includes direct, incremental salary-related amounts (e.g., employer payroll taxes), and (iii) excludes amounts expected to be settled through conversion to defined benefit postemployment benefits.

As context under prior guidance, at June 30, 2024 SMART reported \$1.67 million in compensated absences, including \$1.25 million current, and accrued 25% of sick leave payable on termination—baseline amounts and policies that, under GASB 101's lower "more-likely-than-not" threshold, resulted in a higher compensated absences liability as of June 30, 2025.

### 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. The District's net position was \$674.3 million on June 30, 2025.

The largest portion of the District's net position (78%) reflects its investment in capital assets (e.g., land, stations, track and crossings, pathway, bridges, and tunnels (net of capital related debt). The District uses these capital assets to provide passenger rail services to its customers and a pathway for the general public. Consequently, these assets are not available for future spending.

Sonoma-Marin Area Rail Transit District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025

Passenger and Freight Combined - Statement of Net Position	Business Type Activities		Inc/(Dec)\$	Inc/(Dec)%
	2025	2024		
<u>Assets</u>				
Current and Other Assets	\$ 167,294,668	\$ 163,323,762	\$ 3,970,906	2%
Capital Assets	595,481,240	553,280,226	42,201,014	8%
Lease Receivable	2,396,984	1,719,769	677,215	39%
Total Assets	765,172,892	718,323,757	46,849,135	7%
Total Deferred Outflow of Resources	4,556,911	4,919,410	(362,499)	-7%
<u>Liabilities</u>				
Long- Term Liabilities Outstanding	54,638,972	69,624,705	(14,985,733)	-22%
Other Liabilities	34,041,901	30,626,414	3,415,487	11%
Total Liabilities	88,680,873	100,251,119	(11,570,246)	-12%
Total Deferred inflow of Resources	6,752,016	5,940,193	811,823	14%
<u>Net Position</u>				
Net Investment in Capital Assets	527,827,964	472,382,722	55,445,242	12%
Restricted	5,909,310	5,509,878	399,432	7%
Unrestricted	140,559,640	139,159,255	1,400,385	1%
Total Net Position	\$ 674,296,914	\$ 617,051,855	\$ 57,245,059	9%





Sonoma-Marin Area Rail Transit District  
Management's Discussion and Analysis  
Statement of Net Position  
For the Year Ended June 30, 2025

The District's net position increased \$57.2 million during the year ended June 30, 2025, due mainly to the increase in capital assets and a decrease in bonds payable in passenger rail.

Passenger and Freight Combined - Statement of Revenues, Expenses, and Changes in Net Position	Business Type Activities		Inc/(Dec)\$	Inc/(Dec)%
	2025	2024		
<u>Operating Revenues</u>				
Passenger Fares	\$ 2,311,172	\$ 2,192,252	\$ 118,920	5%
Freight Movement Revenue	917,787	683,148	234,639	34%
Other Operating Revenue	526,712	267,750	258,962	97%
Total Operating Revenue	3,755,671	3,143,150	612,521	19%
<u>Operating Expenses</u>				
Salaries and Employee Benefits	29,353,266	25,837,387	3,515,879	14%
Depreciation and Amortization	17,966,536	20,471,810	(2,505,274)	-12%
Other Operating Expenses	18,205,978	14,780,262	3,425,716	23%
Total Operating Expenses	65,525,780	61,089,459	4,436,321	7%
Operating Loss	(61,770,109)	(57,946,309)	(3,823,800)	7%
<u>Non Operating Revenues</u>				
Sales and use taxes	48,804,068	48,837,349	(33,281)	0%
State and Federal Operating Assistance	12,681,819	13,267,742	(585,923)	-4%
Other Nonoperating Revenues	4,595,389	4,574,509	20,880	0%
Total Non Operating Revenues	66,081,276	66,679,600	(598,324)	-1%
Total Capital Contributions	52,933,892	31,868,985	21,064,907	66%
Change in Net Position	57,245,059	40,602,276	16,642,783	41%
<u>Net Position - Beginning</u>	617,051,855	576,449,579	40,602,276	7%
<u>Net Position - Ending</u>	\$ 674,296,914	\$ 617,051,855	\$ 57,245,059	9%



Sonoma-Marin Area Rail Transit District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025

## Fiscal Year 2025 Revenues

### Combined Passenger and Freight

The District's revenues are categorized as either operating or non-operating. The chart below shows total revenues for both passenger and freight for both Fiscal Year 2025 and Fiscal Year 2024. Overall revenues increased by \$20.1 million or 19% in Fiscal Year 2025.

Category	2025	2024	Inc/(Dec)\$	Inc/(Dec)%
<b>Operating Revenues</b>				
Passenger Fares	\$ 2,311,172	\$ 2,192,252	\$ 118,920	5%
Freight Movement Revenue	917,787	683,148	234,639	34%
Other Operating Revenue	526,712	267,750	258,962	97%
Total Operating Revenue	3,755,671	3,143,150	612,521	19%
<b>Non Operating Revenues</b>				
Sales and use taxes	48,804,068	48,837,349	(33,281)	0%
State Operating Assistance	8,860,573	9,241,054	(380,481)	-4%
Federal Operating Assistance	3,821,246	4,026,688	(205,442)	-5%
Rent Income	740,413	699,927	40,486	6%
Investment Earnings	4,348,271	5,181,447	(833,176)	-16%
Interest Earnings	41,291	40,586	705	2%
Miscellaneous Revenues	881,230	537,626	343,604	64%
Gain /loss on sale of Asset	24,417	(5,036)	29,453	-585%
Total Non Operating Revenues	67,521,509	68,559,641	(1,038,132)	-2%
Total Capital Contributions	52,933,892	31,868,985	21,064,907	66%
<b>Total Revenues</b>	<b>\$ 124,211,072</b>	<b>\$ 103,571,776</b>	<b>\$ 20,639,296</b>	<b>20%</b>

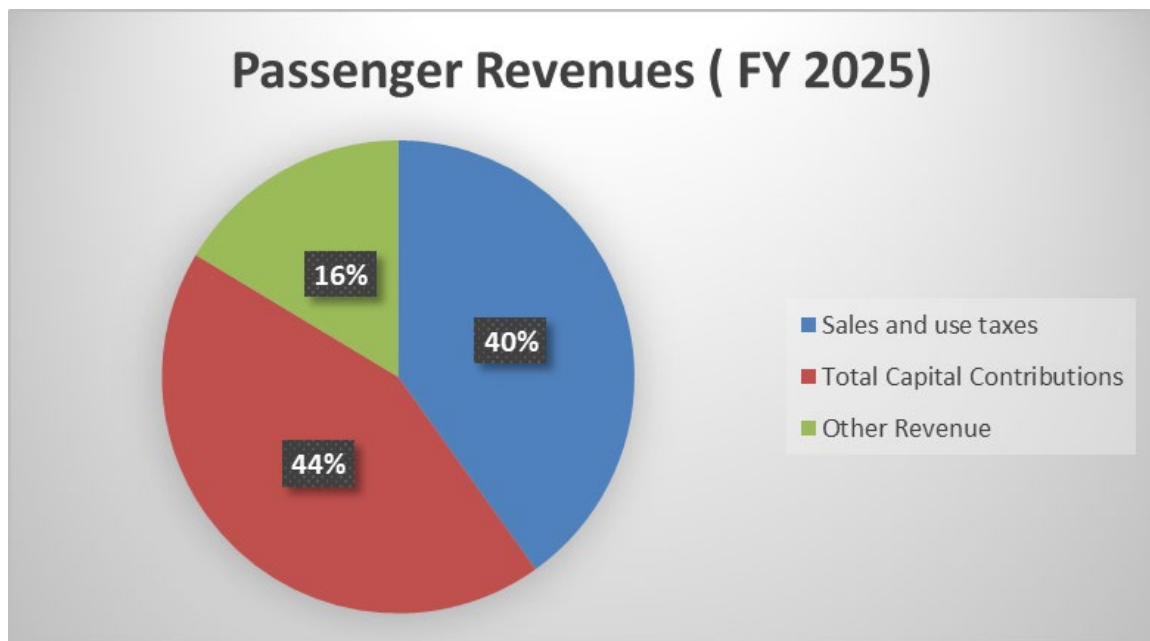
### Passenger

- Operating revenues of \$2,680,097 consisting of fare, advertising, parking, and other revenues are directly generated by operations and ownership of property within the District. This figure is \$251,126 higher than Fiscal Year 2024 which is mainly due to higher fare revenues due to increased ridership.
- Non-operating revenues of \$66,538,265 are comprised of sales tax, state and federal operating assistance, investment income, miscellaneous revenue, and other revenues.
  - Sales tax, the District's single largest ongoing source of revenue decreased by \$33,281 or less than 1%.
  - Investment earnings were lower by \$833,176 or 16% in Fiscal Year 2025.

Capital contributions of \$52.93 million are \$21 million higher than the year ended June 30, 2024. This is due to capital funding for several large projects: McInnis to Smith Ranch Pathway project, Petaluma In-fill station, Sonoma County Pathway project, and the Windsor Extension project.

Sonoma-Marin Area Rail Transit District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025

Category	2025	2024	Inc/(Dec)\$	Inc/(Dec)%
<b>Operating Revenues</b>				
Passenger Fares	\$ 2,311,172	\$ 2,192,252	\$ 118,920	5%
Other Operating Revenue	368,925	236,719	132,206	56%
Total Operating Revenue	2,680,097	2,428,971	251,126	10%
<b>Non Operating Revenues</b>				
Sales and use taxes	48,804,068	48,837,349	(33,281)	0%
State Operating Assistance	8,751,472	8,108,674	642,798	8%
Federal Operating Assistance	3,821,246	4,026,688	(205,442)	-5%
Rent Income	462,738	428,852	33,886	8%
Investment Earnings	4,348,271	5,181,447	(833,176)	-16%
Interest Earnings	38,272	34,950	3,322	10%
Miscellaneous Revenues	287,781	286,216	1,565	1%
Gain /loss on sale of Asset	24,417	(5,036)	29,453	-585%
Total Non Operating Revenues (Expenses)	66,538,265	66,899,140	(360,875)	-1%
Total Capital Contributions	52,933,892	31,868,985	21,064,907	66%
<b>Total Revenues</b>	<b>\$ 122,152,254</b>	<b>\$ 101,197,096</b>	<b>\$ 20,955,158</b>	<b>21%</b>

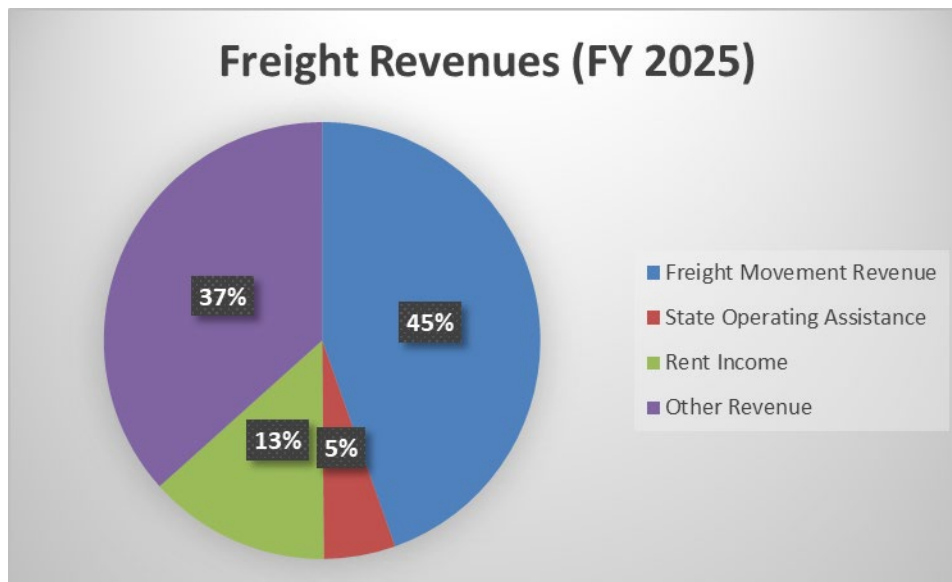


Sonoma-Marin Area Rail Transit District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025

Freight

- Operating revenues of \$1,075,574 consisting of freight movement fees, storage fees, lease income, and other revenues are directly generated by operations. This figure is \$361,395 Higher than Fiscal Year 2024. This is a result of more freight traffic therefore higher fees and more freight storage results in higher freight revenues.
- Non-operating revenues of \$983,244 is comprised of state grants and other revenue. Higher operating revenues and lower expenditures required less state grant revenues in Fiscal Year 2025.
- There were no capital contributions in Fiscal Year 2025.

Category	2025	2024	Inc/(Dec)\$	Inc/(Dec)%
<b>Operating Revenues</b>				
Freight Movement Revenue	\$ 917,787	\$ 683,148	\$ 234,639	34%
Other Operating Revenue	157,787	31,031	126,756	408%
Total Operating Revenue	1,075,574	714,179	361,395	51%
<b>Non Operating Revenues</b>				
State Operating Assistance	109,101	1,132,380	(1,023,279)	-90%
Rent Income	277,675	271,075	6,600	2%
Interest Earnings	3,019	5,636	(2,617)	-46%
Miscellaneous Revenues	593,449	251,410	342,039	136%
Total Non Operating Revenues (Expenses)	983,244	1,660,501	(677,257)	-41%
<b>Total Revenues</b>	<b>\$ 2,058,818</b>	<b>\$ 2,374,680</b>	<b>\$ (315,862)</b>	<b>-13%</b>



Sonoma-Marín Area Rail Transit District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025

### Fiscal Year 2025 Expenses

The District's largest operating expense is salaries and benefits which make up 62% of total operating less depreciation. The chart below shows total operating expenses for both passenger and freight for both Fiscal Year 2025 and Fiscal Year 2024. Overall operating expense (less depreciation) increased by \$6.9 million or 17% in Fiscal Year 2025. Most of the increase was in Passenger operations. See explanation below.

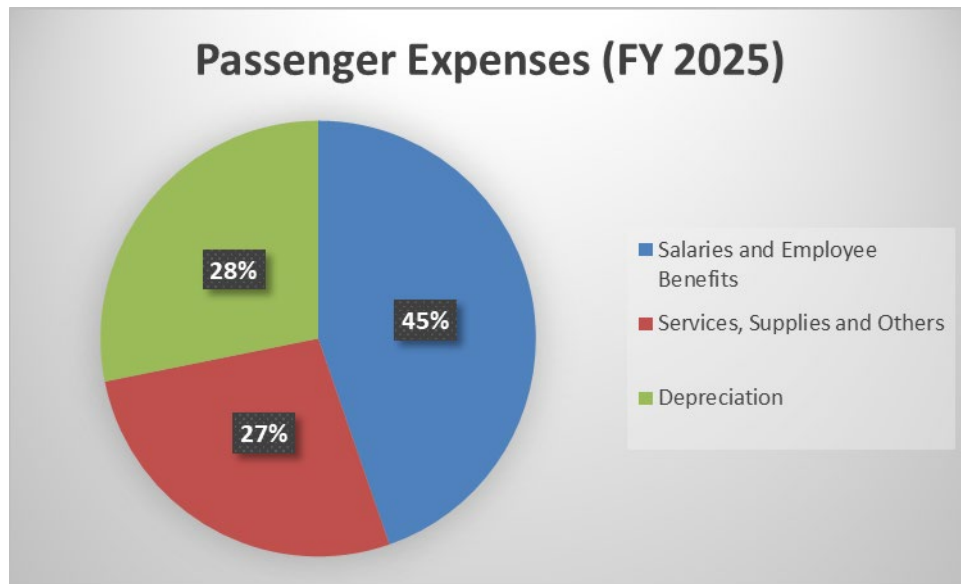
#### Combined Passenger and Freight

Category	2025	2024	Inc/(Dec)\$	Inc/(Dec)%
Salaries and Employee Benefits	\$ 29,353,266	\$ 25,837,387	\$ 3,515,879	14%
Services and supplies	18,075,070	14,317,026	3,758,044	26%
Miscellaneous	130,908	463,236	(332,328)	-72%
<b>Total Operating Expenses</b>	<b>47,559,244</b>	<b>40,617,649</b>	<b>6,941,595</b>	<b>17%</b>
Depreciation	17,966,536	20,471,810	(2,505,274)	-12%
<b>Total Operating Expenses + Depreciation</b>	<b>\$ 65,525,780</b>	<b>\$ 61,089,459</b>	<b>\$ 4,436,321</b>	<b>7%</b>

#### Passenger

- The District's passenger division had operating expenses of \$45,747,786 tied to salaries, benefits, services and supplies excluding depreciation and amortization.
- Salaries and benefits were increased by 14% over year ended June 30, 2024, by \$3,533,772. This was due to increases in salaries, benefit costs, and lower vacancies in Fiscal Year 2025.
- Services and supplies when combined with miscellaneous expenses were \$17,286,404 which was an increase of 29% as compared to Fiscal Year 2024. This was mainly due to an increase in service and inflationary costs.

Category	2025	2024	Inc/(Dec)\$	Inc/(Dec)%
Salaries and Employee Benefits	\$ 28,461,382	\$ 24,927,610	\$ 3,533,772	14%
Services and supplies	17,181,520	13,003,636	4,177,884	32%
Miscellaneous	104,884	361,714	(256,830)	-71%
<b>Total Operating Expenses</b>	<b>45,747,786</b>	<b>38,292,960</b>	<b>7,454,826</b>	<b>19%</b>
Depreciation	17,935,518	20,471,064	(2,535,546)	-12%
<b>Total Operating Expenses + Depreciation</b>	<b>\$ 63,683,304</b>	<b>\$ 58,764,024</b>	<b>\$ 4,919,280</b>	<b>8%</b>

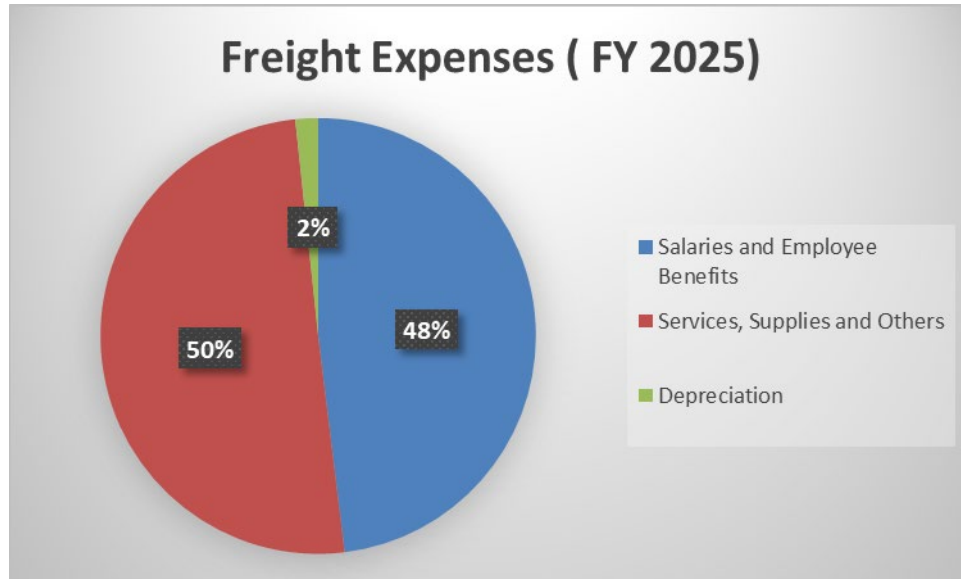


#### Freight

- The District's freight operations had operating expenses of \$1,811,458 tied to salaries, benefits, services, supplies excluding depreciation.
- Salaries and benefits decreased by 2% over the year ended June 30, 2024, by \$17,893.
- Services and supplies when combined with miscellaneous expenses decreased by \$488,942.

Category	2025	2024	Inc/(Dec)\$	Inc/(Dec)%
Salaries and Employee Benefits	\$ 891,884	\$ 909,777	\$ (17,893)	-2%
Services and supplies	893,550	1,313,390	(419,840)	-32%
Miscellaneous	26,024	101,522	(75,498)	-74%
<b>Total Operating Expenses</b>	<b>1,811,458</b>	<b>2,324,689</b>	<b>(513,231)</b>	<b>-22%</b>
Depreciation	31,018	746	30,272	4058%
<b>Total Operating Expenses + Depreciation</b>	<b>\$ 1,842,476</b>	<b>\$ 2,325,435</b>	<b>\$ (482,959)</b>	<b>-21%</b>

Sonoma-Marin Area Rail Transit District  
Management's Discussion and Analysis  
Capital Assets  
For the Year Ended June 30, 2025



### Capital Assets

The District's capital assets, as of June 30, 2025, are \$595,481,240 (net of accumulated depreciation and amortization) which is an increase of \$42.2 million over June 30, 2024. This is due to a large number of projects in progress to include the Windsor Extension, the Petaluma North Station, and several pathway segments.

Passenger and Freight Combined - Capital Assets				
Assets	2025	2024	Inc/(Dec)\$	Inc/(Dec)%
<b>Assets</b>				
Land	\$ 52,168,194	\$ 50,855,162	\$ 1,313,032	3%
Intangible assets	4,025,370	4,025,370	-	0%
Construction in progress	118,233,965	67,668,776	50,565,189	75%
<b>Total Non -Depreciable Capital Assets</b>	<b>174,427,529</b>	<b>122,549,308</b>	<b>51,878,221</b>	<b>42%</b>
Infrastructure	285,497,802	298,286,013	(12,788,211)	-4%
Facilities	78,762,567	73,780,185	4,982,382	7%
Equipment	7,194,377	6,982,131	212,246	3%
Revenue vehicles	46,531,260	48,609,717	(2,078,457)	-4%
Non-Revenue vehicles	1,489,337	1,165,879	323,458	28%
Intangible assets	-	23,135	(23,135)	-100%
Right-to-use lease - Building	1,578,368	1,883,858	(305,490)	-16%
	421,053,711	430,730,918	(9,677,207)	-2%
<b>Total Capital Assets, Net of Depreciation</b>	<b>\$ 595,481,240</b>	<b>\$ 553,280,226</b>	<b>\$ 42,201,014</b>	<b>8%</b>

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

### **Debt**

The District had \$61,965,000 in bonds outstanding June 30, 2025, compared to \$77,545,000 on June 30, 2024. Additional information on the District's long-term debt can be found in Note 4.

### **Economy**

The District operations rely directly on the strength of its designated Measure Q sales and use tax receipts which provides a little over half of its total revenues on an ongoing basis. The strength of this revenue source is dependent on the economic health of the two counties of the District, particularly employment rates and job growth. While sales taxes have leveled out since the large percentage growth in Fiscal Years 2021 and 2022, both counties continue to have lower unemployment rates and continued growth in per capita personal income.

### **Request for Additional Information**

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



Sonoma-Marin Area Rail Transit District  
Statement of Net Position  
As of June 30, 2025

	Passenger	Freight	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalent	\$ 81,068,337	\$ 6,300,871	\$ 87,369,208
Restricted cash, cash equivalents, and investments	6,293,170	-	6,293,170
Sales tax receivables	8,520,648	-	8,520,648
Due from other governments	54,238,602	142,592	54,381,194
Lease receivables	109,413	76,022	185,435
Other receivables	368,356	326,037	694,393
Deposits with others	3,738,920	-	3,738,920
Inventory	2,861,489	-	2,861,489
Interest receivable	3,678	1,050	4,728
Prepaid expenses	3,234,625	10,858	3,245,483
Total current assets	160,437,238	6,857,430	167,294,668
<b>Noncurrent Assets</b>			
Lease receivables	2,206,110	190,874	2,396,984
Capital assets not depreciated	163,135,393	11,292,136	174,427,529
Capital assets, net of accumulated depreciation	419,947,498	1,106,213	421,053,711
Total noncurrent assets	585,289,001	12,589,223	597,878,224
Total assets	745,726,239	19,446,653	765,172,892
<b>Deferred Outflows of Resources</b>			
Pension related	3,323,822	-	3,323,822
OPEB related	1,233,089	-	1,233,089
Total deferred outflows of resources	4,556,911	-	4,556,911
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	8,629,704	55,401	8,685,105
Accrued liabilities	971,157	554,025	1,525,182
Bonds payable - current	15,860,000	-	15,860,000
Interest payable	383,860	-	383,860
Unearned revenue	258,240	5,356,785	5,615,025
Total OPEB liability - current	8,077	-	8,077
Compensated absences	1,543,263	21,391	1,564,654
Leases payable	399,998	-	399,998
Total current liabilities	28,054,299	5,987,602	34,041,901
<b>Noncurrent Liabilities</b>			
Compensated absences	1,439,629	75,377	1,515,006
Bonds payable	46,105,000	-	46,105,000
Leases payable	973,984	-	973,984
Other noncurrent liabilities	214,387	-	214,387
Net Pension liability	3,093,422	-	3,093,422
Total OPEB liability	2,737,173	-	2,737,173
Total noncurrent liabilities	54,563,595	75,377	54,638,972
Total liabilities	82,617,894	6,062,979	88,680,873
<b>Deferred Inflows of Resources</b>			
Lease related	2,196,751	260,746	2,457,497
OPEB related	4,284,051	-	4,284,051
Pension related	10,468	-	10,468
Total deferred inflows of resources	6,491,270	260,746	6,752,016
<b>Net Position</b>			
Net investment in capital assets	515,429,615	12,398,349	527,827,964
Restricted for debt service	5,909,310	-	5,909,310
Unrestricted	139,835,061	724,579	140,559,640
Total net position	\$ 661,173,986	\$ 13,122,928	\$ 674,296,914

See Notes to Financial Statements

Sonoma-Marín Area Rail Transit District  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2025

	Passenger	Freight	Total
Operating Revenues			
Charges for services			
Passenger fares	\$ 2,311,172	\$ -	\$ 2,311,172
Other services	368,925	157,787	526,712
Freight movement	-	917,787	917,787
Total Operating Revenues	<u>2,680,097</u>	<u>1,075,574</u>	<u>3,755,671</u>
Operating Expenses			
Salaries and employee benefits	28,461,382	891,884	29,353,266
Services and supplies	17,181,520	893,550	18,075,070
Depreciation and amortization	17,935,518	31,018	17,966,536
Miscellaneous	104,884	26,024	130,908
Total Operating Expenses	<u>63,683,304</u>	<u>1,842,476</u>	<u>65,525,780</u>
Operating Loss	<u>(61,003,207)</u>	<u>(766,902)</u>	<u>(61,770,109)</u>
Nonoperating Revenues (Expenses)			
Sales and use taxes	48,804,068	-	48,804,068
State operating assistance	8,751,472	109,101	8,860,573
Federal operating assistance	3,821,246	-	3,821,246
Rent income	462,738	277,675	740,413
Rent expense	(53,761)	(54,908)	(108,669)
Investment earnings	4,348,271	-	4,348,271
Interest earnings	38,272	3,019	41,291
Miscellaneous revenues	287,781	593,449	881,230
Gain on sale of asset	24,417	-	24,417
Interest expense	(1,331,564)	-	(1,331,564)
Total Nonoperating Revenues (Expenses)	<u>65,152,940</u>	<u>928,336</u>	<u>66,081,276</u>
Income before Capital Contributions	4,149,733	161,434	4,311,167
Capital Contributions	<u>52,933,892</u>	<u>-</u>	<u>52,933,892</u>
Change in Net Position	57,083,625	161,434	57,245,059
Net Position-Beginning of Period	<u>604,090,361</u>	<u>12,961,494</u>	<u>617,051,855</u>
Net Position-End of Period	<u>\$ 661,173,986</u>	<u>\$ 13,122,928</u>	<u>\$ 674,296,914</u>

Sonoma-Marin Area Rail Transit District  
Statement of Cash Flows  
For the Year Ended June 30, 2025

	Passenger	Freight	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,311,172	\$ 981,110	\$ 3,292,282
Receipts from others	368,925	-	368,925
Payments to suppliers for goods and services	(16,463,660)	(745,559)	(17,209,219)
Cash payments to employees for services	(29,768,867)	(847,140)	(30,616,007)
Net Cash Used for Operating Activities	(43,552,430)	(611,589)	(44,164,019)
Cash Flows from Noncapital Financing Activities			
Sales tax	48,855,679	-	48,855,679
State operating assistance	9,866,927	4,749,999	14,616,926
Federal operating assistance	2,800,737	-	2,800,737
Proceeds from sale of assets	24,417	-	24,417
Cash receipts for third party infrastructure	542,549	593,449	1,135,998
Net Cash Provided by Noncapital Financing Activities	62,090,309	5,343,448	67,433,757
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(61,848,785)	(712,518)	(62,561,303)
Capital grants received restricted for capital purposes	36,322,548	-	36,322,548
Interest received as lessor	38,272	3,019	41,291
Cash received as lessor	423,311	277,067	700,378
Cash paid as lessee	(436,188)	(54,908)	(491,096)
Principal payments on long-term debt	(15,580,000)	-	(15,580,000)
Interest paid on capital debt	(1,395,356)	-	(1,395,356)
Net Cash Used for Capital and Related Financing Activities	(42,476,198)	(487,340)	(42,963,538)
Cash Flows from Investing Activities			
Investment income	4,643,478	35	4,643,513
Net Change in Cash and Cash Equivalents	(19,294,841)	4,244,554	(15,050,287)
Cash and Cash Equivalents at Beginning of Year	106,656,348	2,056,317	108,712,665
Cash and Cash Equivalents at End of Year	\$ 87,361,507	\$ 6,300,871	\$ 93,662,378

Sonoma-Marin Area Rail Transit District  
Statement of Cash Flows  
For the Year Ended June 30, 2025

Reconciliation to the Statement of Net Position			
Cash and Cash Equivalents	\$ 81,068,337	\$ 6,300,871	\$ 87,369,208
Restricted Cash, Cash Equivalents, and Investments with Trustee	6,293,170	-	6,293,170
Total cash and cash equivalents	<u>\$ 87,361,507</u>	<u>\$ 6,300,871</u>	<u>\$ 93,662,378</u>
Reconciliation of Operating Loss to Net Cash			
used for operating activities	Passenger	Freight	Total
Operating Loss	<u>\$ (61,003,207)</u>	<u>\$ (766,902)</u>	<u>\$ (61,770,109)</u>
Adjustments to reconcile operating loss to net cash			
used for operating activities			
Depreciation and amortization	17,935,518	31,018	17,966,536
Changes in operating assets, liabilities, deferred inflows of			
resources, and deferred outflows of resources			
(Increase) decrease in prepaid expenses	(204,945)	(1,817)	(206,762)
(Increase) decrease in accounts receivable	(787)	(94,464)	(95,251)
Increase (decrease) in accounts payable			
and other accrued liabilities	(2,291,061)	175,832	(2,115,229)
Increase (decrease) in compensated absences	1,365,174	44,744	1,409,918
Increase (decrease)			
in total other post-employment benefits liability	390,830	-	390,830
Increase (decrease) in net pension liability			
and related deferred outflow/inflow of resources	256,048	-	256,048
Net cash used by operating activities	<u>\$ (43,552,430)</u>	<u>\$ (611,589)</u>	<u>\$ (44,164,019)</u>
Schedule of Noncash Investing, Capital, and Financing Activities			
Unrealized gain on investments	<u>\$ 1,282,611</u>	<u>\$ -</u>	<u>\$ 1,282,611</u>

**Note 1 - Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Sonoma-Marín Area Rail Transit District (District) was formed in January 2003 by provisions of the Sonoma-Marín Area Rail Transit District Act, as successor to the Sonoma-Marín 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. The District 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 District.

**B. Fund Accounting**

The District uses proprietary (enterprise) funds to record its activities. An enterprise fund can report any activity for which fees are charged to external users for goods or services. Enterprise funds are required when external revenue sources meet at least one of the following criteria: (1) debt issued is backed only by fees and charges, (2) the cost of providing services, including capital costs such as depreciation or debt service, must be legally recovered through fees or charges, or (3) if government policy is to set activity fees or charges that recover the cost of services.

Proprietary funds separate operating from nonoperating revenues and expenses. Operating revenues and expenses usually result from delivering services and producing goods related to the proprietary fund's main operations. The District's primary operating revenues come from transit fares and freight operations. Operating expenses include maintaining passenger railway services, administrative costs, and depreciation on capital assets. Revenues and expenses not classified as operating are reported as nonoperating revenues and expenses.

**C. Basis of Presentation**

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 nonoperating revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**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**

The District 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. The District's investments in the Sonoma County investment pool are uncategorized because deposits to and from the pool are made on the basis of \$1 and not at fair value.

**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. Restricted accounts consisting of highly liquid investments with a maturity of three months or less when purchased are classified as cash equivalents.

**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. Capital Assets**

Capital assets are tangible and intangible assets which include land, facilities, infrastructure, equipment, leases as lessee, easements, and construction in progress (CIP). It is the District's policy to capitalize qualifying assets with a cost of \$5,000 or more and a useful life of more than one year. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available (except for intangible right-to-use lease/SBITA assets, the measurement of which is discussed in paragraph O below). Betterments and major improvements that significantly increase value, change capacity, or extend the useful life are capitalized. Donated capital assets are reported based on their acquisition value at the date of acquisition.

Capital assets are depreciated using the straight-line method over their useful lives, except for land and construction in progress, which are not depreciated. The useful life for revenue and non-revenue vehicles is determined based on the Federal Transit Administration's Default Useful Life Benchmark. SMART uses the IRS Publication 946 for all other class lives. Land, CIP, and intangible assets with an indefinite useful life are not depreciated.

**I. Compensated Absences***Policy*

The District provides compensated absences to eligible employees in the form of vacation, sick leave, and certain other paid leave programs [e.g., compensatory time] in accordance with Board-approved policies and labor agreements. Under GASB Statement No. 101, the District recognizes a liability for (1) leave that has been earned but not used, and (2) leave that has been used by employees but not yet paid in cash or settled through noncash means, when the leave is (a) attributable to services already rendered, (b) accumulates (may be carried forward), and (c) is more likely than not to be used for time off or otherwise paid or settled. Amounts more likely than not to be settled through conversion to defined benefit postemployment benefits are excluded from the compensated absences liability. The liability for unused leave is measured using employees' pay rates as of the financial statement date and includes salary-related payments that are directly and incrementally associated with leave payments (e.g., employer FICA and Medicare), but excludes employer contributions to defined benefit pension or OPEB plans. Leave such as parental leave, military leave, and jury duty is recognized when the leave commences, consistent with GASB 101.

District specific leave features:

- **Vacation**
  - Accrues each pay period
  - Balances are paid out upon separation
  - Maximum accruals are:
    - Non-exempt employees – 280 hours
    - Exempt, non-managerial (hired before 07/01/2024) – 480 hours
    - Exempt, non-managerial (hired on or after 07/01/2024 – 420 hours
    - Exempt, managerial – 480 hours
- **Sick Leave**
  - Accrues each pay period
  - 25% of accrued sick leave is paid out upon separation
  - No maximum accrual
  - May be converted to CalPers service credit at retirement
    - Amounts more likely than not to be converted are excluded from the liability
- **Floating Holidays**
  - Two (2) eight (8) hour days per year
  - Cannot be carried over from year to year
  - One (1) eight (8) hour day may be paid out in cash
    - Paid out in January of next year
  - Not paid out at separation
- **Compensatory Time**
  - Accrued in lieu of overtime
  - Maximum accrual is 40 hours at any given time for unrepresented staff. Maximum accrual for represented staff up to 80 hours at any given time.
  - Paid out upon separation

Management evaluates historical usage, payout patterns, and policy terms to determine “more-likely-than-not” usage/payout percentages for each leave type and employee group.

### ***Classification***

Liabilities expected to be liquidated within 12 months are reported as current, with the remainder reported as noncurrent in the Statement of Net Position.

The change in the compensated absences liability during the fiscal year ending June 30, 2025 is as follows:

Balance July 1, 2024	Net Change	Balance June 30, 2025	Due in One Year
\$ 1,669,742	\$ 1,409,918	\$ 3,079,660	\$ 1,564,654



**J. Risk Management**

The District is subject to potential risks including torts; theft, damage, or destruction of assets; errors and omissions; and natural disasters. To address these risks, the District maintains commercial insurance such as comprehensive railroad liability and other relevant liability policies, automobile coverage, employment, and workers compensation policies. The District also has policies and procedures to ensure suitable insurance and risk management practices for third-party service providers operating on its behalf. Over the past three years, no claim settlements have exceeded the District's insurance coverage, and there have been no reductions in coverage compared to the prior year.

**K. 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 and disclosures 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.

**L. Deferred Inflow/Outflow of Resources**

In addition to assets, the statement of financial position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category; deferred amounts related to pension and OPEB. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category; deferred amounts related to leases, pension and OPEB.

**M. Net Position**

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances of bonds, notes, lease liabilities and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

*Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

*Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**N. 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.

**O. Leases and Subscription Based Information Technology Arrangements**

**As Lessee:** The District is a lessee for a noncancellable building lease. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in its financial statement.

At the commencement of a lease/subscription based information technology arrangement (SBITA), the District initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/subscription payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease payments made at or before the lease/subscription commencement date, plus certain initial direct costs. Subsequently, the lease asset/SBITA is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease/subscription payments to present value, (2) lease/subscription term, and (3) lease/subscription payments.

- The District uses its estimated bond borrowing rate as the discount rate for leases with adjustment for the applicable lease/subscription terms.
- The lease/subscription term includes the noncancellable period of the lease/SBITA. Lease/subscription payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amounts.

Lease/subscription assets are reported with noncurrent capital assets and lease/subscription liabilities are reported with long-term debt as current and noncurrent liabilities on the statement of net position. The District had no SBITA arrangements meeting the recognition criteria of GASB 96 as of June 30, 2025. Accordingly, no subscription assets or liabilities are reported.

**As Lessor:** The District is a lessor for 10 noncancellable land leases and infrastructure related sites. Accordingly, the District recognizes a lease receivable and a deferred inflow of resources.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses the U.S. Treasury state and local government securities (SLGS) rates as the discount rate for leases with adjustment for applicable lease terms.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

## **Note 2 - Cash and Investments**

Cash and investments are carried at fair value and are categorized as follows on June 30, 2025:

	Available for Operations	Held by Trustee	Total
Sonoma County Treasury Pool	\$ 48,413,450	\$ 6,293,170	\$ 54,706,620
Deposits with financial institutions	38,955,758	-	38,955,758
Total cash and investments	<u>\$ 87,369,208</u>	<u>\$ 6,293,170</u>	<u>\$ 93,662,378</u>

### **A. Investments Authorized by the District's Investment Policy**

Investments are guided by the District investment policy adopted each year with the budget. The policy outlines the guidelines and practices to be used in effectively managing the District's available cash and investment portfolio. District funds that are not required for immediate cash requirements are to be invested in compliance with the California Code Section 53600, et seq. In accordance with California Government Code Section 53600.5, and in order of importance, the Chief Financial Officer is required to adhere to the following three criteria: (a) Safety of Principal (b) Liquidity (c) Return on Investment.

The District's investments beyond those needed for near-term requirements are invested with the Sonoma County Treasury Pool which adheres to California Government Code.

**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 per the District'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 Remaining Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio
Local Agency Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
State Obligations: CA and Others	5 Years	None	None
CA Local Agency Obligations	5 Years	None	None
U.S. Agency Obligations	5 Years	None	None
Bankers' Acceptances	180 days	None	40%
Commercial Paper: Non-pooled Funds (Under \$100k)	270 days	AAA	25%
Commercial Paper: Non-pooled Funds (Over \$100k)	270 days	AAA	40%
Commercial Paper: Pooled Funds	270 days	AAA	40%
Negotiable Certificates of Deposit	5 Years	None	30%
Non-negotiable Certificates of Deposit	5 Years	None	None
Placement Service Deposits	5 Years	None	50%
Placement Service Certificates of Deposit	5 Years	None	50%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	None	20%
Medium-term Notes	5 years	A	30%
Mutual Funds and Money Market Mutual Funds	N/A	Multiple	20%
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-through and Asset Backed Securities	5 years	AA	20%
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	Multiple	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	AA	30%
Public Bank Obligations	5 years	None	None

**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. The District manages its exposure to interest rate risk by investing in the County of Sonoma Treasury Investment Pool. The sensitivity of the fair values of the District's investments to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was 732 days on June 30, 2025.

**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 California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2025, \$38,704,324 of depository balances were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

# Sonoma-Marin Area Rail Transit District

Notes to the Financial Statements

For the Year Ended June 30, 2025

## Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

<i>Passenger Fund</i>	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Capital Assets Not Being Depreciated				
Land	\$ 43,563,026	\$1,313,032	\$ -	\$ 44,876,058
Intangible assets	25,370	-	-	25,370
Construction in progress	67,668,776	62,594,878	(12,029,689)	118,233,965
Total capital assets not being depreciated	111,257,172	63,907,910	(12,029,689)	163,135,393
Capital Assets Being Depreciated				
Infrastructure	384,474,334	-	(827,088)	383,647,246
Facilities	100,547,252	6,821,366	-	107,368,618
Equipment	11,302,569	929,953	-	12,232,522
Revenue vehicles	62,353,699	-	-	62,353,699
Non-Revenue vehicles	2,395,351	538,010	(188,829)	2,744,532
Right-to-use lease - Building	2,800,330	-	-	2,800,330
Total capital assets being depreciated	564,261,207	8,289,329	(1,015,917)	571,534,619
Total capital assets	675,518,379	72,197,239	(13,045,606)	734,670,012
Accumulated Depreciation and Amortization				
Infrastructure	(86,609,749)	(12,758,089)	114,570	(99,253,268)
Facilities	(26,767,067)	(1,838,984)	-	(28,606,051)
Equipment	(4,320,438)	(717,707)	-	(5,038,145)
Revenue vehicles	(13,743,982)	(2,078,457)	-	(15,822,439)
Non-Revenue vehicles	(1,232,757)	(213,656)	188,829	(1,257,584)
Right-to-use lease - Building	(916,472)	(305,490)	-	(1,221,962)
Total accumulated depreciation and amortization	(133,955,002)	(17,935,518)	303,399	(151,587,121)
Capital assets, net	\$ 541,563,377	\$ 54,261,721	\$ (12,742,207)	\$ 583,082,891

Sonoma-Marin Area Rail Transit District  
Notes to the Financial Statements  
For the Year Ended June 30, 2025

<i>Freight Fund</i>	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Capital Assets Not Being Depreciated				
Land	\$ 7,292,136	\$ -	\$ -	\$ 7,292,136
Intangible assets	4,000,000	-	-	4,000,000
Total capital assets not being depreciated	11,292,136	-	-	11,292,136
Capital Assets Being Depreciated				
Infrastructure	37,508,834	827,088	-	38,335,922
Non-Revenue Vehicles	169,127	80,059	-	249,186
Total capital assets being depreciated	37,677,961	907,147	-	38,585,108
Total capital assets	48,970,097	907,147	-	49,877,244
Accumulated Depreciation and Amortization				
Infrastructure	(37,087,406)	(144,692)		(37,232,098)
Non-Revenue Vehicles	(165,842)	(80,955)		(246,797)
Total accumulated depreciation and amortization	(37,253,248)	(225,647)	-	(37,478,895)
Capital assets, net	\$ 11,716,849	\$ 681,500	\$ -	\$ 12,398,349

During the year ended June 30, 2025, the Passenger fund transferred capital assets with a net book value of \$714 thousand to the Freight fund in exchange for cash. The transfer was made to align reporting with operational responsibility. The transaction is reflected as a reduction of capital assets in the Passenger fund and an addition in the Freight fund, with a corresponding cash transfer.



**Note 4 - Long Term Debt**

**A. Composition and Changes**

Long-term debt activity for the year ended June 30, 2025 was as follows:

	Original Borrowing	Balance July 1, 2024	Reductions	June 30, 2025	Due in One Year
Long-Term Liabilities					
Measure Q Sales Tax Revenue					
Refunding Bonds (Green Bonds)					
Series 2020A 0.45-2.09%, due 3/1/2029	\$122,970,000	\$ 77,545,000	\$15,580,000	\$ 61,965,000	\$15,860,000
Leases	2,887,551	1,756,409	382,427	1,373,982	399,998
Total	<u>\$125,857,551</u>	<u>\$ 79,301,409</u>	<u>\$15,962,427</u>	<u>\$ 63,338,982</u>	<u>\$ 16,259,998</u>

**B. Description of District's Long-Term Debt Issues**

**Measure Q Sales Tax Revenue Refunding Bonds (Green Bonds) Series 2020A** – In October 2020, the District issued \$122,970,000 in variable rate Measure Q Sales Tax Revenue Refunding Bonds (Green Bonds) Series 2020A. Although the Initial Series 2020A Bonds have a maturity date of March 1, 2029, they had certain provisions that allowed the District to remarket them. The Bonds will bear interest between 0.449%-2.088%% and mature by March 1, 2029.

The bonds are direct obligations and pledge the full faith and credit of the District. The total projected Measure Q sales tax revenue, as projected in the 2025 Capital Improvement Plan, is expected to approximate \$384 million over the eight-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, 2025 was \$48,804,068 whereas debt service on the Measure Q bonds was \$16,904,116 for the fiscal year ended June 30, 2025.

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, 2025:

For The Year Ending June 30	Principal	Interest
2026	\$ 15,860,000	\$ 1,136,844
2027	16,105,000	893,869
2028	16,385,000	614,931
2029	13,615,000	284,281
	\$ 61,965,000	\$ 2,929,925

Sales tax revenues are 100% pledged to pay the scheduled principal and interest payments. If an event of default shall occur and be continuing, the District 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 - Lease**

The District has several leasing arrangements, summarized below.

### **A. Lessee Activities**

The District has accrued liabilities for one building lease. The discount rate used in the calculation of the lease liability was 4.50%. The remaining liability for the lease is \$1,373,982 as of June 30, 2025. Right to use assets, net of amortization, for the lease is \$1,578,368 as of June 30, 2025. The District is required to make monthly principal and interest payments of \$37,686. Interest expense recognized on these leases was \$69,872 for the fiscal year ended June 30, 2025. Principal payments of \$382,427 were recognized in the years ended June 30, 2025. Final payment on these leases is expected in fiscal year 2029.

The District's schedule of future payments included in the measurement of the lease liability are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 399,998	\$ 52,239	\$ 452,237
2027	430,722	33,544	464,266
2028	463,589	13,393	476,982
2029	79,673	162	79,835
	\$ 1,373,982	\$ 99,338	\$ 1,473,320

## B. Lessor Activities

The District has accrued a receivable for ten land and infrastructure leases. The remaining receivable for these leases was \$2,582,419 for the year ended June 30, 2025. Deferred inflows related to these leases were \$2,457,497 as of June 30, 2025. Interest revenue recognized on these leases was \$41,291 for the year ended June 30, 2025. Principal receipts of \$191,821 were recognized as revenue during the fiscal year. Final receipt is expected in fiscal year 2047.

## Note 6 - Pension Plans

### A. General Information about the Pension Plans

#### Plan Description

All full-time and certain other qualifying employees are eligible to participate in the District's employee pension plan, a cost-sharing multiple employer defined benefit pension plan administered by California's Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by state statute and District resolution. CalPERS acts as a common investment and administrative agent for its participating member employers. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information which can be found on the CalPERS website:

<https://www.calpers.ca.gov/page/investments/about-investment-office/investment-financial-reports>.

## Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 or 52, depending on the hire date, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. Benefit provisions and all other requirements are established by state statute and may be amended by the District's contract with the employees.

The Plans' provisions and benefits in effect on June 30, 2025, are summarized as follows:

	Miscellaneous		
	Tier I	Tier II	PEPRA
Hire date	Prior to September 1, 2011	On or after September 1, 2011	On or after January 1, 2013
Benefit formula	2% at 55	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	60	62
Monthly benefits as a percentage of eligible compensation	1.426%-2.418%	1.426%-2.418%	1.000% - 2.500%
Required employee contribution rate	7.00%	7.00%	7.51%
Required employer contribution rate	11.84%	10.10%	7.45%

	Safety
	PEPRA
Hire date	On or after January 1, 2013
Benefit formula	2.7% at 57
Benefit vesting schedule	5 years of service
Benefit payments	Monthly for life
Retirement age	57
Monthly benefits as a percentage of eligible compensation	2.000%-2.700%
Required employee contribution rate	13.72%
Required employer contribution rate	13.51%

## Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1, following notice of a change in the rate. Funding contributions for Plans are determined annually on an actuarial basis, as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2025, the employer contributions were \$1,495,908 for the miscellaneous plan and \$31,587 for the safety plan.

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

As of June 30, 2025, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Miscellaneous	\$ 3,061,646	\$ 3,268,354	\$ 10,330	\$ 1,758,973
Safety	31,776	55,468	138	24,063
Total	<u>\$ 3,093,422</u>	<u>\$ 3,323,822</u>	<u>\$ 10,468</u>	<u>\$ 1,783,036</u>

The District's net pension liability is measured as the proportionate share of the collective Plan's net pension liability. The net pension liability of the plan is measured as of June 30, 2024, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to the June 30, 2024, measurement date using standard update procedures. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan, relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2024, and 2025 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2023 measurement date	0.059910%	0.000435%
Proportion - June 30, 2024 measurement date	<u>0.063302%</u>	<u>0.000436%</u>
Change in proportion	<u>0.003392%</u>	<u>0.000001%</u>

Sonoma-Marín Area Rail Transit District  
Notes to the Financial Statements  
For the Year Ended June 30, 2025

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**Miscellaneous Plan**

For the year ended June 30, 2025, the District recognized a pension expense of \$1,758,973. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to the miscellaneous plan from the following sources:

	<u>Miscellaneous</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to measurement date	\$ 1,495,908	\$ -
Changes in proportion and differences between District contributions and proportionate share of contributions	638,561	-
Net differences between projected and actual earnings on pension plan investments	176,255	-
Differences between expected and actual experience	264,707	10,330
Adjustment due to differences in proportions	614,232	-
Changes of assumptions	78,691	-
	<u>\$ 3,268,354</u>	<u>\$ 10,330</u>
Total	<u>\$ 3,268,354</u>	<u>\$ 10,330</u>

On June 30, 2025, the District reported \$1,495,908 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	<u>Miscellaneous Deferred Outflows/(Inflows) of Resources</u>
2026	\$ 839,444
2027	791,417
2028	191,657
2029	(60,402)
Total	<u>\$ 1,762,116</u>

Sonoma-Marin Area Rail Transit District  
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**Safety Plan**

For the year ended June 30, 2025, the District recognized a pension expense of \$24,063 and 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
District contributions subsequent to measurement date	\$ 31,587	\$ -
Changes in proportion and differences between District contributions and proportionate share of contributions	9,400	54
Net differences between projected and actual earnings on pension plan investments	1,536	-
Differences between expected and actual experience	2,593	84
Adjustment due to differences in proportions	9,569	-
Changes of assumptions	783	-
Total	<u>\$ 55,468</u>	<u>\$ 138</u>

On June 30, 2025, the District reported \$31,587 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Safety Deferred Outflows/(Inflows) of Resources
2026	\$ 11,201
2027	9,774
2028	3,294
2029	(526)
Total	<u>\$ 23,743</u>

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

	Miscellaneous	Safety
Valuation date	June 30, 2023	June 30, 2023
Measurement date	June 30, 2024	June 30, 2024
Actuarial cost method	Entry age normal	Entry age normal
Discount rate	6.90%	6.90%
Investment rate of return	6.90%	6.90%

(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 2021 experience study report that can be found on the CalPERS website.

### Discount Rate

The discount rate used to measure the total pension liability was 6.90%. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 6.90% discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 6.90% is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations, as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.



Sonoma-Marin Area Rail Transit District  
Notes to the Financial Statements  
For the Year Ended June 30, 2025

The table below reflects 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:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 <sup>(a)(b)</sup>
Global equity - cap weighted	30%	4.54%
Global equity non-cap weighted	12%	3.84
Private equity	13%	7.28
Treasury	5%	0.27
Mortgage	5%	0.50
Investment Grade Corporates	10%	1.56
High Yield	5%	2.27
Emerging Market Debt	5%	2.48
Private Debt	5%	3.57
Real Assets	15%	3.21
Leverage	-5%	(0.59)
Total	100%	

<sup>(a)</sup> An expected inflation of 2.30% used for this period.

<sup>(b)</sup> Figures are based on the 2021-22 Asset Liability Management study.

**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 (asset), as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Discount Rate	Miscellaneous Net Pension Liability	Safety Net Pension Liability (Asset)
1% decrease (5.90%)	\$ 6,435,490	\$ 86,830
Current discount rate (6.90%)	3,061,646	31,776
1% increase (7.90%)	284,476	(13,251)

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

**Note 7 - Other Post-Employment Health Care Benefits (OPEB)**

For the fiscal year ended June 30, 2025, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense as follows:

Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
\$ 2,745,250	\$ 1,233,089	\$ (4,284,051)	\$ 398,907

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

*Plan administration* The District's governing board administers the Postemployment Benefits Plan (Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. The Plan provides medical benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the District contributes to the cost of the plan as specified below. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements. A separate report was not issued for the Plan.

The District's OPEB plan is not administered through a trust or equivalent arrangement as defined by GASB Statement No. 75. As such, there are no assets accumulated in a trust that meets all of the following criteria: (1) contributions and earnings are irrevocable, (2) plan assets are dedicated to providing OPEB to plan members in accordance with benefit terms, and (3) plan assets are legally protected from creditors of the District, plan administrator, and plan members.

*Benefits provided.* The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"). Participation in PEMHCA is financed in part by District contributions made to the plan. The District contributes a percentage of the PEMHCA minimum to eligible retirees.

The District contributed \$102.05 per month to PEMHCA on behalf of each eligible retiree in 2024. This amount increased to \$110.60 per month for calendar 2025. Each year, this contribution is increased pursuant to the "unequal contribution method" under PEMHCA, whereby the District contribution for retirees equals 5% of the District's contribution for active employees multiplied by the number of years the District has participated in PEMHCA until such time as the contributions are equal. The PEMHCA minimum was \$157 in 2024 and \$158 for 2025 in which the District contribution to retirees was 65% and 70%, respectively. Additionally, the District pays the PEMHCA percentage-of-premiums admin fee for all retirees participating in PEMHCA.

*Employees Covered by Benefit Terms* Membership in the plan consisted of the following at the measurement date of June 30, 2024:

Active employees	154
Inactive employees or beneficiaries currently receiving benefits payments	2
Total	<u>156</u>

*Contributions* The benefit payment requirements of the Plan members and the District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

## **B. Total OPEB Liability**

The District's Total OPEB Liability was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2024. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

*Actuarial Assumptions* The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, Level Percent of Pay
Valuation of fiduciary net position	No assets held in an irrevocable trust as of the measurement date.
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Salary increases	3.00 percent
Inflation rate	2.50 percent
Healthcare cost trend rate	7.50 percent for 2024 decreasing to 5.40 percent for 2029, 5.25 percent for 2030-2034, 4.60 percent for 2035-2049, 4.50 percent for 2050-2064, 4.25 percent for 2065-2074, and 4.00 percent for 2070 and later years; Medicare ages: 4.50 percent for 2024-2064, 4.25 percent for 2065-2074, and 4.00 percent for 2070 and later years
Preretirement Mortality	
Miscellaneous	Preretirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).
Safety	Preretirement Mortality Rates for Public Agency Police and Fire from CalPERS Experience Study (2000-2019).
Postretirement Mortality	
Miscellaneous	Post-retirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).
Safety	Post-retirement Mortality Rates for Public Agency Police and Fire from CalPERS Experience Study (2000-2019).

Actuarial assumptions used in the June 30, 2024 valuation were based on a review of plan experience during the period June 30, 2022 to June 30, 2024.

# Sonoma-Marin Area Rail Transit District

Notes to the Financial Statements

For the Year Ended June 30, 2025

*Discount rate* For OPEB plans that are not administered through trusts that meet the criteria in Paragraph 4, GASB 75 requires a discount rate that is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate used to measure the District's Total OPEB liability is based on the Fidelity GO AA 20 Years Municipal Index which was 3.86% as of the June 30, 2023 measurement date and 3.97% as of the June 30, 2024 measurement date.

## C. Changes in Total OPEB Liability

The changes in the total OPEB liability follows:

	Total OPEB Liability
Balance, June 30, 2024	<u>\$ 2,652,690</u>
Service cost	526,355
Interest	122,605
Difference between expected and actual experience	(543,116)
Changes of assumptions and other inputs	(7,735)
Benefit payments	<u>(5,549)</u>
Net change	<u>92,560</u>
Balance, June 30, 2025	<u><u>\$ 2,745,250</u></u>

## D. Sensitivity of the Total OPEB Liability to Change in the Discount Rate and Healthcare Cost

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 one percentage point lower or one percentage point higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.97%)	\$ 3,281,517
Current discount rate (3.97%)	2,745,250
1% increase (4.97%)	2,315,298

Sonoma-Marin Area Rail Transit District  
Notes to the Financial Statements  
For the Year Ended June 30, 2025

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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 healthcare cost trend that is one percentage point lower or one percentage point higher than the current rate:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (2.97%)	\$ 2,170,462
Current healthcare cost trend rate (3.97%)	2,745,250
1% increase (4.97%)	3,512,645

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$398,907 and reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 8,077	\$ -
Differences between expected and actual experience	125,715	2,906,469
Changes of assumptions	1,099,297	1,377,582
Total	<u>\$ 1,233,089</u>	<u>\$ 4,284,051</u>

Reported as deferred outflows of resources related to contributions subsequent to the measurement date is \$8,077 which will be recognized as a reduction of the OPEB liability in the year ended June 30, 2026. 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,	Deferred Outflows/(Inflows) of Resources
2026	\$ (252,581)
2027	(252,581)
2028	(252,581)
2029	(246,394)
2030	(231,286)
Thereafter	(1,823,616)
Total	<u>\$ (3,059,039)</u>

**Note 8 -        Commitments and Contingencies**

**Purchase Commitments**

At June 30, 2025, the District had outstanding purchase and contract commitments of \$4,539,778 for passenger and \$39,312 for freight.

**Contingent Reimbursement for Land Purchase**

In fiscal year 2025, the District purchased a parcel of land for approximately \$1.31 million to construct a parking lot at the Petaluma North Station. Under a development agreement, if a proposed adjacent development project was approved, the developer would reimburse the District for the purchase price. The agreement was formalized through an Unsecured Contingent Promissory Note dated October 1, 2024, which became effective upon the developer securing construction financing. In fiscal year 2026, the contingency was met, and the District received \$1.31 million. This amount will be reported as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position for fiscal year 2026. The land remains recorded at historical cost in capital assets.

Required Supplementary Information  
June 30, 2025

## Sonoma-Marín Area Rail Transit District

Sonoma-Marin Area Rail Transit District  
Schedule of the District's Proportionate Share of the Net Pension Liability – Pension Plan

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
CalPERS (Miscellaneous Plan)										
Proportion of the net pension liability (asset)	0.0633%	0.0599%	0.0472%	-0.0136%	0.0349%	0.0281%	0.0231%	0.0238%	0.0214%	0.0281%
Proportionate share of the net pension liability (asset)	\$ 3,061,646	\$ 2,995,908	\$ 2,207,036	\$ (257,780)	\$ 1,473,514	\$ 1,126,646	\$ 870,893	\$ 936,778	\$ 742,146	\$ 585,152
Covered payroll	\$ 17,450,228	\$ 15,310,263	\$ 12,545,318	\$ 12,561,577	\$ 13,265,008	\$ 12,916,529	\$ 11,175,297	\$ 9,930,773	\$ 6,017,592	\$ 3,572,374
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	17.55%	19.57%	17.59%	-2.05%	11.11%	8.72%	7.79%	9.43%	12.33%	16.38%
Plan fiduciary net position as a percentage of the total pension liability	80%	78%	78%	86%	74%	75%	75%	73%	74%	78%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
CalPERS (Safety Plan)										
Proportion of the net pension liability (asset)	0.0004%	0.0004%	0.0290%	-0.0051%	0.0349%	0.2813%	0.0000%			
Proportionate share of the net pension liability (asset)	\$ 31,776	\$ 32,490	\$ 20,004	\$ (17,841)	\$ 10,982	\$ 4,177	\$ 709			
Covered payroll	\$ 174,040	\$ 129,822	\$ 130,891	\$ 122,516	\$ 211,670	\$ 195,041	180,138			
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	18.26%	25.03%	15.28%	-14.56%	5.19%	2.14%	0.39%			
Plan fiduciary net position as a percentage of the total pension liability	77%	75%	76%	86%	74%	75%	75%			
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018			

Note :

- 1 Significant changes in assumptions: The discount rate remains same in fiscal year 2024: 6.90%.
- 2 Safety plan became applicable to SMART starting with fiscal year 2019.



Sonoma-Marín Area Rail Transit District  
Schedule of Contributions – Pension Plan

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
CalPERS - Miscellaneous Plan										
Contractually required contribution	\$ 1,495,908	\$ 1,380,428	\$ 1,143,753	\$ 1,085,805	\$ 1,016,119	\$ 976,474	\$ 910,518	\$ 747,878	\$ 699,783	\$ 409,897
Less contributions in relation to the contractually required contribution	<u>1,495,908</u>	<u>1,380,428</u>	<u>1,143,753</u>	<u>1,085,805</u>	<u>1,016,119</u>	<u>976,474</u>	<u>910,518</u>	<u>747,878</u>	<u>699,783</u>	<u>477,840</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (67,943)</u>
Covered payroll	<u>\$ 18,602,828</u>	<u>\$ 17,450,228</u>	<u>\$ 15,310,263</u>	<u>\$ 12,545,318</u>	<u>\$ 12,561,577</u>	<u>\$ 13,265,008</u>	<u>\$ 12,916,529</u>	<u>\$ 11,175,297</u>	<u>\$ 9,930,773</u>	<u>\$ 6,017,592</u>
Contributions as a percentage of covered payroll	<u>8.04%</u>	<u>7.91%</u>	<u>7.47%</u>	<u>8.66%</u>	<u>8.09%</u>	<u>7.36%</u>	<u>7.05%</u>	<u>6.69%</u>	<u>7.05%</u>	<u>6.81%</u>
CalPERS - Safety Plan										
Contractually required contribution	\$ 31,587	\$ 23,507	\$ 16,591	\$ 16,551	\$ 16,454	\$ 27,589	\$ 23,680			
Less contributions in relation to the contractually required contribution	<u>31,587</u>	<u>23,507</u>	<u>16,591</u>	<u>16,551</u>	<u>16,454</u>	<u>27,589</u>	<u>23,680</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
Covered payroll	<u>\$ 229,559</u>	<u>\$ 174,040</u>	<u>\$ 129,822</u>	<u>\$ 130,891</u>	<u>\$ 122,516</u>	<u>\$ 211,670</u>	<u>\$ 195,041</u>			
Contributions as a percentage of covered payroll	<u>13.760%</u>	<u>13.507%</u>	<u>12.780%</u>	<u>12.645%</u>	<u>13.430%</u>	<u>13.034%</u>	<u>12.141%</u>			

Safety plan became applicable to SMART starting with fiscal year 2019.

Sonoma-Marin Area Rail Transit District  
Schedule of Changes in the Total OPEB Liability and Related Ratios

Fiscal year	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 526,355	\$ 409,238	\$ 726,098	\$ 794,213	\$ 638,813	\$ 444,687	\$ 438,273	\$ 478,730
Interest	122,605	97,361	107,031	109,811	96,162	72,116	54,494	36,782
Changes of benefit terms	-	-	-	(1,316,588)	-	-	-	-
Difference between expected and actual experience	(543,116)	-	(1,899,309)	(1,290,966)	-	260,415	-	-
Changes of assumptions	(7,735)	(79,112)	(230,572)	760,464	682,576	308,419	(26,755)	(241,085)
Benefit payments	<u>(5,549)</u>	<u>(8,057)</u>	<u>(3,672)</u>	<u>(10,671)</u>	<u>(4,806)</u>	<u>(6,257)</u>	<u>(2,891)</u>	<u>(3,801)</u>
Net change in total OPEB liability	92,560	419,430	(1,300,424)	(953,737)	1,412,745	1,079,380	463,121	270,626
Total OPEB Liability - Beginning	<u>2,652,690</u>	<u>2,233,260</u>	<u>3,533,684</u>	<u>4,487,421</u>	<u>3,074,676</u>	<u>1,995,296</u>	<u>1,532,175</u>	<u>1,261,549</u>
Total OPEB Liability - Ending	<u>\$ 2,745,250</u>	<u>\$ 2,652,690</u>	<u>\$ 2,233,260</u>	<u>\$ 3,533,684</u>	<u>\$ 4,487,421</u>	<u>\$ 3,074,676</u>	<u>\$ 1,995,296</u>	<u>\$ 1,532,175</u>
Covered-employee Payroll	<u>\$ 17,624,269</u>	<u>\$ 15,440,085</u>	<u>\$ 14,074,763</u>	<u>\$ 12,684,093</u>	<u>\$ 13,476,678</u>	<u>\$ 18,840,794</u>	<u>\$ 11,175,297</u>	<u>\$ 9,930,773</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>16%</u>	<u>17%</u>	<u>16%</u>	<u>28%</u>	<u>33%</u>	<u>16%</u>	<u>18%</u>	<u>15%</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

<sup>1</sup> No assets are accumulated in a trust that meets the criteria of paragraph 4 of Statement 75.

*Note:* In the future, as data becomes available, ten years of information will be presented.

Statistical Section  
June 30, 2025

## Sonoma-Marín Area Rail Transit District

This part of the District's Annual Comprehensive 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 Ratios
- 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.

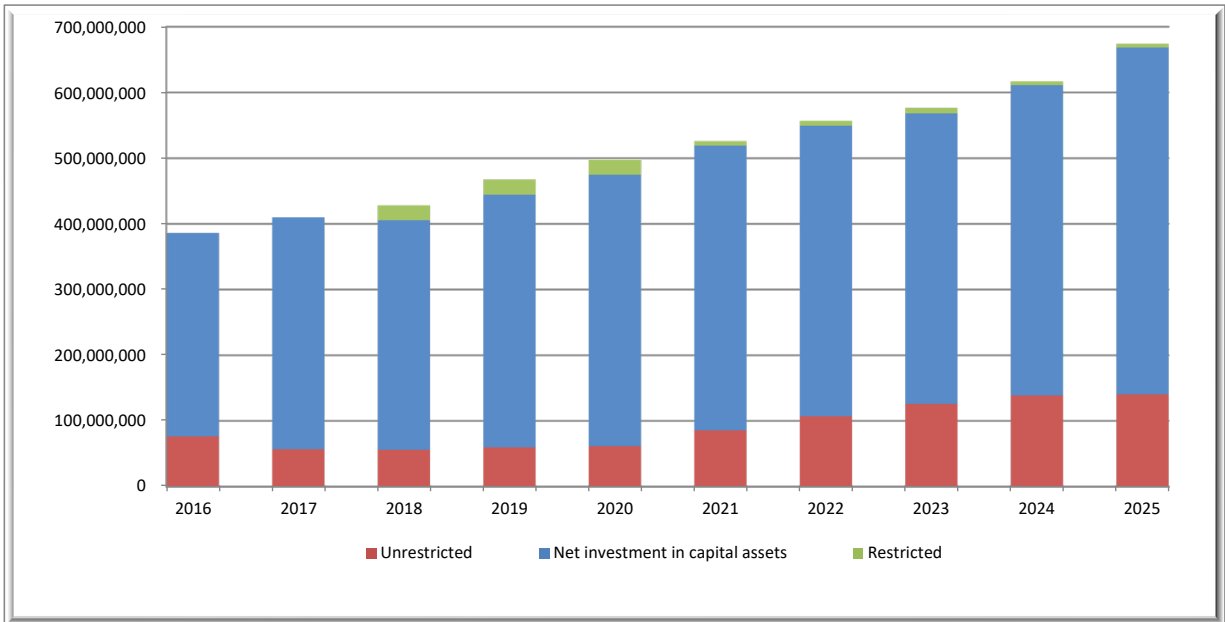
- Table 12- Operating Information
- Table 13- Employees – Full-Time Equivalent

***Sources***

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

Sonoma-Marin Area Rail Transit District  
Net Position by Component  
Last Ten Years

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



	2016	2017	2018	2019	2020
Net investment in capital assets	\$309,724,259	\$353,088,871	\$349,608,580	\$384,506,952	\$413,213,191
Restricted	\$0	\$0	\$22,575,206	23,255,790	22,946,005
Unrestricted	76,452,056	56,892,973	55,996,479	59,801,398	61,548,911
<b>Total net position</b>	<b>\$386,176,315</b>	<b>\$409,981,844</b>	<b>\$428,180,265</b>	<b>\$467,564,140</b>	<b>\$497,708,107</b>

	2021	2022	2023	2024	2025
Net investment in capital assets	\$433,487,686	\$442,201,252	\$442,223,308	\$472,382,723	\$527,827,964
Restricted	6,662,863	7,440,671	8,244,507	5,985,858	5,909,310
Unrestricted	85,779,768	107,092,897	125,981,765	138,683,275	140,559,640
<b>Total net position</b>	<b>\$525,930,317</b>	<b>\$556,734,820</b>	<b>\$576,449,580</b>	<b>\$617,051,856</b>	<b>\$674,296,914</b>

Sonoma-Marín Area Rail Transit District  
Changes in Net Position  
Last Ten Fiscal Years

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

	2016	2017	2018	2019	2020
<b>Operating revenues:</b>					
Charges for services	\$ 529,191	\$ 588,402	\$ 4,025,111	\$ 5,036,875	\$ 3,965,115
Total operating revenues	529,191	588,402	4,025,111	5,036,875	3,965,115
<b>Operating expenses:</b>					
Salaries and employee benefits	7,737,361	12,610,874	16,950,114	18,453,125	19,295,606
Services and supplies	5,252,012	6,717,902	8,080,825	10,690,334	11,074,071
Depreciation and amortization	4,610,295	4,716,779	17,800,126	19,033,577	22,150,111
Miscellaneous expense	7,541	212	672,332	203,883	100,000
Total operating expenses	17,607,209	24,045,767	43,503,397	48,380,919	52,619,788
Operating income/(loss)	(17,078,018)	(23,457,365)	(39,478,286)	(43,344,044)	(48,654,673)
<b>Nonoperating revenues (expenses):</b>					
Sales and use taxes	34,776,012	36,061,895	37,135,476	41,241,140	38,978,630
Federal, state, and other operating assistance	-	-	3,701,366	5,000,756	15,574,795
Investment earnings (loss)	585,178	366,748	724,313	1,974,246	338,227
Interest income	-	-	-	-	-
Miscellaneous revenues	2,264,334	438,639	2,236,508	4,174,454	1,438,087
Capital expense passed through to other agencies	(295,894)	(62,636)	(3,778,891)	(770,156)	(918,506)
Gain (Loss) on sale of asset	-	-	-	-	-
Rent Income	-	-	-	-	-
Rent expense	(746,718)	(781,084)	(796,640)	(646,236)	(550,406)
Loss on impairment of assets	-	-	-	-	-
Interest expense	(805,558)	(1,164,558)	(5,819,778)	(5,591,608)	(5,273,801)
Total nonoperating revenues (expenses)	35,777,354	34,859,004	33,402,354	45,382,596	49,587,026
Income (loss) before capital contributions	18,699,336	11,401,639	(6,075,932)	2,038,552	932,353
<b>Capital contributions</b>	23,766,059	12,403,890	24,941,459	37,345,323	29,211,620
Change in net position before restatement	\$ 42,465,395	\$ 23,805,529	\$ 18,865,527	\$ 39,383,875	\$ 30,143,973
Restatement FY17	-	-	(666,637)	-	-
Special Item FY22	-	-	-	-	-
Change in net position, Restated	\$ 42,465,395	\$ 23,805,529	\$ 18,198,890	\$ 39,383,875	\$ 30,143,973

Source: SMART annual financial statements.

Continued on Next Page

Sonoma-Marín Area Rail Transit District  
Changes in Net Position  
Last Ten Fiscal Years

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

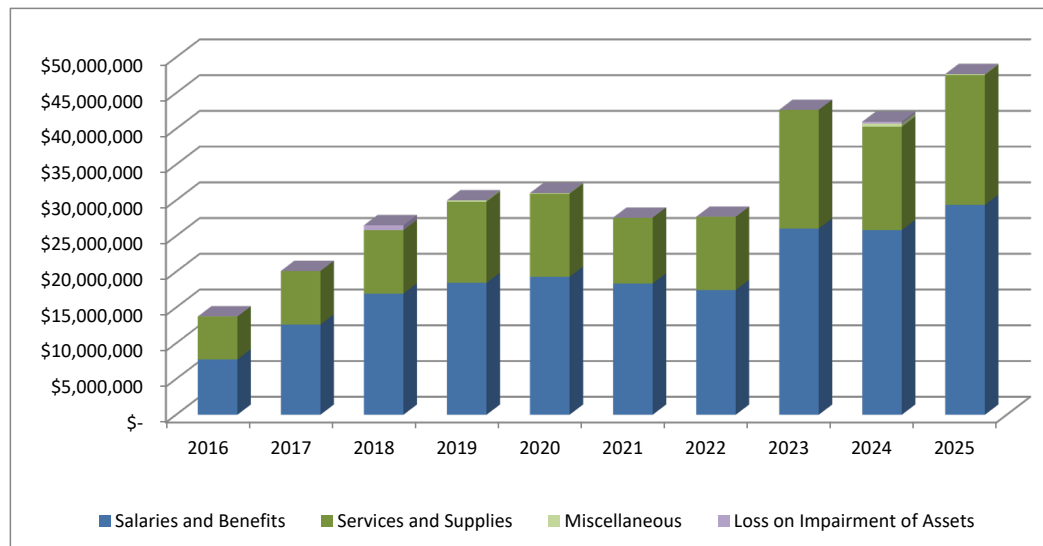
2021	2022	2023	2024	2025
\$ 1,271,706	\$ 2,727,553	\$ 3,517,277	\$ 3,843,077	\$ 3,755,670
1,271,706	2,727,553	3,517,277	3,843,077	3,755,670
18,354,310	17,437,640	26,041,905	25,837,387	29,353,269
8,707,194	10,144,193	16,544,637	14,317,024	18,075,067
22,697,348	20,877,284	19,377,343	20,471,811	17,966,536
416	7,412	-	463,237	130,909
49,759,268	48,466,529	61,963,885	61,089,459	65,525,781
(48,487,562)	(45,738,976)	(58,446,608)	(57,246,382)	(61,770,111)
44,002,410	49,074,830	49,649,375	48,837,349	48,804,068
16,301,842	17,184,007	24,663,720	13,267,742	12,681,819
628,728	(2,023,805)	839,528	5,181,447	4,348,272
-	10,461	41,137	40,586	41,290
4,588,714	46,229	744,433	537,626	881,230
(3,673,565)	(27,758)	-	-	-
-	-	-	(5,036)	24,417
-	-	-	-	740,413
(510,370)	(103,576)	(72,732)	(128,409)	(108,669)
-	-	-	(237,008)	-
(3,374,308)	(1,653,081)	(1,746,162)	(1,514,624)	(1,331,564)
57,963,451	62,507,307	74,119,299	65,979,673	66,081,276
9,475,889	16,768,331	15,672,691	8,733,291	4,311,165
18,746,419	2,743,571	4,042,069	31,868,985	52,933,894
\$ 28,222,308	\$ 19,511,902	\$ 19,714,760	\$ 40,602,276	\$ 57,245,059
-	-	-	-	-
-	11,292,136	-	-	-
\$ 28,222,308	\$ 30,804,038	\$ 19,714,760	\$ 40,602,276	\$ 57,245,059

# Sonoma-Marín Area Rail Transit District

## Non-Capital Expense by Category

Last Ten Fiscal Years

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



Fiscal Year Ended June 30	Salaries and Benefits	Services and Supplies	Miscellaneous	Loss on Impairment of Assets	Total
2016	\$ 7,737,361	\$ 5,998,730	\$ 7,541	\$ -	\$ 13,743,632
2017	12,610,874	7,498,986	212	-	20,110,072
2018	16,950,114	8,877,465	954	671,378	26,499,911
2019	18,453,125	11,336,570	203,883	-	29,993,578
2020	19,295,606	11,624,477	100,000	-	31,020,083
2021	18,354,310	9,217,564	416	-	27,572,290
2022	17,437,640	10,247,769	7,412	-	27,692,821
2023	26,041,905	16,617,369	-	-	42,659,274
2024	25,837,385	14,445,433	463,237	237,008	40,983,063
2025	29,353,269	18,183,736	130,909	-	47,667,914

Source: Sonoma-Marín Area Rail Transit District Financial Statements

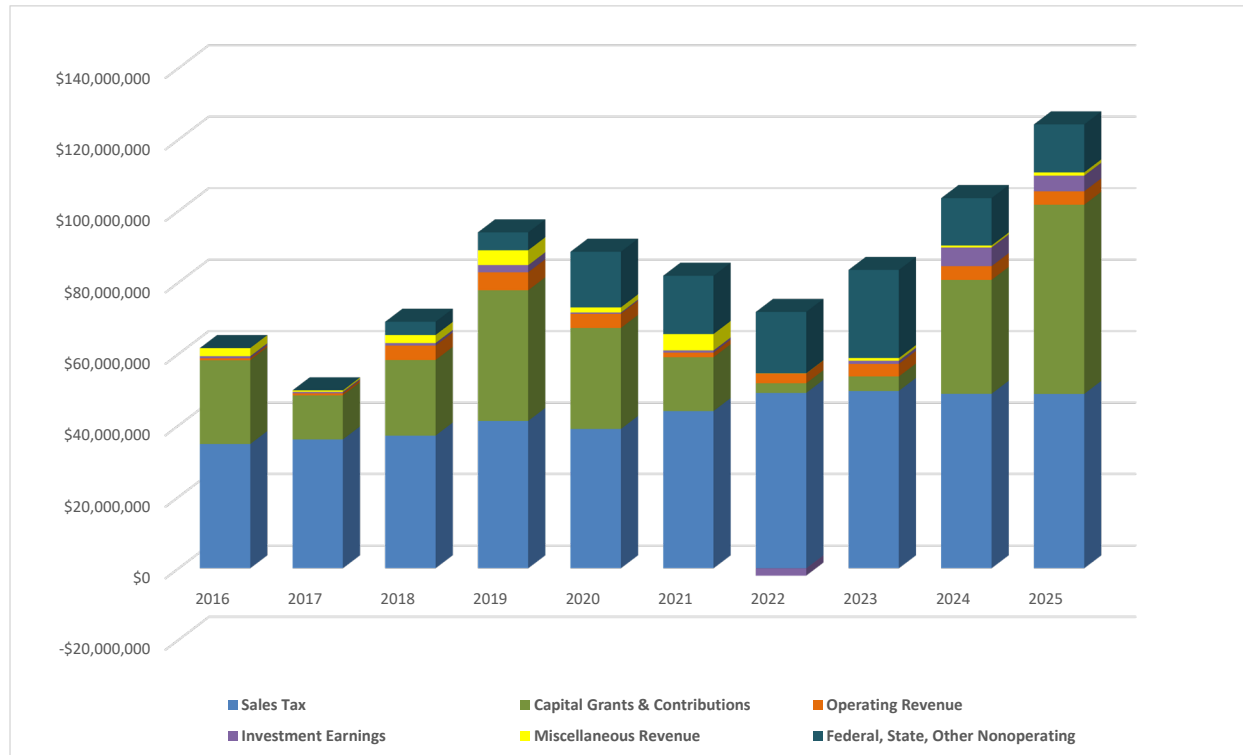
2014 is the first year that the District presented financial reports in an enterprise format

2018 is the first year of Operations; Other Charges Net of Non-cash adjustments



Sonoma-Marín Area Rail Transit District  
General Revenue by Source  
Last Ten Fiscal Years

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



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

# Sonoma-Marin Area Rail Transit District

Revenue Base and Revenue Rate

Last Ten Fiscal Years

**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)
2016	0.25%	\$ 34,776,012	\$ 5,091,014	\$ 8,843,184	\$ 13,934,198
2017	0.25%	36,061,895	5,004,443	9,154,084	14,158,526
2018	0.25%	37,135,476	5,343,038	9,444,873	14,787,910
2019	0.25%	41,241,140	5,454,389	9,966,334	15,420,723
2020	0.25%	38,978,630	5,148,864	9,113,111	14,261,975
2021	0.25%	44,002,410	5,894,353	10,771,239	16,665,592
2022	0.25%	49,074,830	6,437,421	11,924,130	18,361,551
2023	0.25%	49,649,375	6,417,951	12,049,847	18,467,798
2024	0.25%	48,837,349	6,513,242	11,669,998	18,183,240
2025	0.25%	48,804,068	6,575,411	11,581,898	18,157,309

Source: [www.cdtfa.ca.gov/DataPortal/dataset.htm?url=TaxSalesByCounty](http://www.cdtfa.ca.gov/DataPortal/dataset.htm?url=TaxSalesByCounty)

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

<b>Marin County</b>					
<b>Fiscal Year</b>	<b>State</b>	<b>City</b>	<b>County</b>	<b>SMART</b>	<b>Total</b>
2016	7.50%	0 to 0.50%	0.75%	0.25%	8.5% to 9%
2017	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2018	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2019	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2020	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2021	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2022	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2023	7.25%	0.50% to 1.00%	1.00%	0.25%	8.25% to 9.25%
2024	7.25%	0.50% to 1.00%	1.00%	0.25%	8.25% to 9.25%
2025	7.25%	0.50% to 1.00%	1%*	0.25%	8.25% to 9.25%

<b>Sonoma County</b>					
<b>Fiscal Year</b>	<b>State</b>	<b>City</b>	<b>County</b>	<b>SMART</b>	<b>Total</b>
2016	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2017	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2018	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2019	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2020	7.25%	0 to 1.00%	0.750%	0.25%	8.25% to 9.25%
2021	7.25%	0 to 1.00%	1.00%	0.25%	8.50% to 9.50%
2022	7.25%	0 to 1.00%	1.00%	0.25%	8.50% to 9.50%
2023	7.25%	0.50% to 1.00%	1.00%	0.25%	8.50% to 9.50%
2024	7.25%	0.50% to 1.00%	1.00%	0.25%	9% to 10%
2025	7.25%	0.50% to 1.5%	2%*	0.25%	9.25% to 10.5%

\* Includes SMART's 0.25% tax

Source: [www.cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates.htm](http://www.cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates.htm)

Sonoma-Marín Area Rail Transit District

Principal Revenue Payers  
Current Year and Nine Years Ago

**Table 7**  
**Sonoma-Marín Area Rail Transit District**  
**Principal Revenue Payers**

	<b>Fiscal Year 2025</b>	
<b>Principal Revenue Payers: Sales Tax Generators</b>	<b>Total Receipts</b>	<b>Percentage</b>
General Retail	\$ 14,102,385	29%
Transportation	\$ 9,575,013	20%
Food Products	\$ 9,519,001	20%
Business to Business	\$ 6,836,464	14%
Construction	\$ 5,935,558	12%
Miscellaneous	\$ 1,901,113	4%
Total	\$ 47,869,534	100%

	<b>Fiscal Year 2011*</b>	
<b>Principal Revenue Payers: Sales Tax Generators</b>	<b>Total Receipts</b>	<b>Percentage</b>
General Retail	\$ 7,978,547	31%
Transportation	\$ 5,597,576	21%
Food Products	\$ 4,972,020	19%
Business to Business	\$ 4,156,846	16%
Construction	\$ 2,796,876	11%
Miscellaneous	\$ 654,932	3%
Total	\$ 26,156,797	100%

\* First available year of SMART sales tax payer analysis

Source: MuniServices, Categorizations and totals may differ from State of California

**Table 8**  
**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**DEBT SERVICE COVERAGE RATIOS**

LAST TEN YEARS

<b>Fiscal Year Ending</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>	<b>Sales Tax Revenue Actual</b>	<b>Coverage Ratio</b>
6/30/2016	\$ 8,456,950	\$ 4,540,000	\$ 12,996,950	\$ 34,776,012	2.68
6/30/2017	8,275,350	5,325,000	13,600,350	36,061,895	2.65
6/30/2018	8,009,100	6,195,000	14,204,100	37,135,476	2.61
6/30/2019	7,730,850	8,365,000	16,095,850	41,241,140	2.56
6/30/2020	7,312,600	9,435,000	16,747,600	38,978,630	2.33
6/30/2021	3,987,001	3,365,000	7,352,001	44,002,410	5.99
6/30/2022	1,656,756	13,280,000	14,936,756	49,074,830	3.29
6/30/2023	1,581,193	14,015,000	15,596,193	49,649,375	3.18
6/30/2024	1,479,444	14,765,000	16,244,444	48,837,349	3.01
6/30/2025	1,324,116	15,580,000	16,904,116	48,804,068	2.89

Sonoma-Marin Area Rail Transit District  
Ratios of Outstanding Debt (Unaudited)  
Last Ten Fiscal Years

**Table 9**  
**Sonoma-Marin Area Rail Transit District**  
**Debt Per Capita/Debt to Personal Income/Debt Service to Non-Capital Expenditures**

Fiscal Year	Total Outstanding Debt	Personal Income	Population	Ratio of Debt to Personal Income	Total Debt Per Capita
2016	183,318,018	58,680,231,000	763,882	0.31%	\$ 240
2017	175,819,899	63,211,402,000	762,971	0.28%	\$ 230
2018	167,528,327	63,843,515,000	759,608	0.26%	\$ 221
2019	157,163,502	69,657,112,000	753,162	0.23%	\$ 209
2020	145,846,953	73,085,354,000	751,184	0.20%	\$ 194
2021	119,605,000	82,064,055,000	741,726	0.15%	\$ 161
2022	106,325,000	81,422,908,000	737,148	0.13%	\$ 144
2023	92,310,000	86,126,808,000	733,593	0.11%	\$ 126
2024*	79,301,409	91,036,036,056	729,475	0.09%	\$ 109
2025*	63,338,982	96,225,090,111	725,383	0.07%	\$ 87

\*2024 and 2025 personal income amount estimated.

Source: California Employment Development Department <https://labormarketinfo.edd.ca.gov/cgi/databrowsing/localAreaP>

**Total Debt Service to Non-Capital Expenditures**

Fiscal Year	Total Debt Service	Non-Capital Expenditures Including Debt Service	Ratio Debt Service to Non-Capital Expenditures
2016	12,996,950	26,740,582	49%
2017	13,600,350	33,710,422	40%
2018	14,204,100	40,704,011	35%
2019	16,095,850	46,089,428	35%
2020	16,747,600	47,767,683	35%
2021**	7,352,001	34,924,291	21%
2022	14,936,756	42,807,576	35%
2023	15,596,193	54,240,569	29%
2024	16,244,444	55,197,076	29%
2025	16,904,116	62,744,630	27%

\*\* SMART's 2011A bonds were refunded in October 2020 with the Series 2020A bonds part of debt service is from 2011A bonds  
Source: Annual Comprehensive Financial Report

**Table 10**  
**Sonoma-Marin Area Rail Transit District**  
**Demographic and Economic Statistics**  
**Last Ten Years (Unaudited)**

<b>Marin County</b>				
		Personal Income	Per Capita	Unemployment
Year	Population	(in thousands)	Personal Income	Rate
2016	260,633	\$ 30,222,883	\$ 117,552	3.4%
2017	259,725	\$ 32,867,529	\$ 124,552	2.9%
2018	259,666	\$ 33,196,204	\$ 134,275	2.3%
2019	258,826	\$ 36,684,680	\$ 138,903	2.3%
2020	262,321	\$ 38,187,380	\$ 145,575	10.2%
2021	258,385	\$ 42,704,366	\$ 164,118	4.5%
2022	255,851	\$ 43,824,350	\$ 171,177	2.7%
2023	254,301	\$ 45,939,619	\$ 180,575	2.7%
2024*	253,538	\$ 48,787,875	\$ 191,951	3.9%
2025*	252,777	\$ 51,812,724	\$ 204,044	4.6%
<b>Sonoma County</b>				
		Personal Income	Per Capita	Unemployment
Year	Population	(in thousands)	Personal Income	Rate
2016	503,249	\$ 28,457,348	\$ 57,264	4.1%
2017	503,246	\$ 30,343,873	\$ 60,286	3.4%
2018	499,942	\$ 30,647,311	\$ 64,501	2.7%
2019	494,336	\$ 32,972,432	\$ 64,869	2.7%
2020	488,863	\$ 34,897,974	\$ 71,386	11.4%
2021	483,341	\$ 39,359,689	\$ 81,006	5.5%
2022	481,297	\$ 37,598,558	\$ 77,900	3.1%
2023	479,292	\$ 40,187,189	\$ 83,408	3.1%
2024*	475,937	\$ 42,276,923	\$ 88,079	4.1%
2025*	472,605	\$ 44,475,323	\$ 93,011	4.7%

\*2024 & 2025 Personal Income and Per Capita Income estimated based on previous experience

Source: California Employment Development Department

<https://labormarketinfo.edd.ca.gov/cgi/databrowsing/localAreaProfileQSMOREResult.asp?>

# Sonoma-Marín Area Rail Transit District

Major Employers (Unaudited)

Current Year\*

**Table 11**  
**Sonoma-Marín Area Rail Transit District**  
**Major Employers (Unaudited)**

Marin County 2025		
Employer	Number of Employees	Industry
Corrections Dept	1,000-4,999	Government Offices
Kaiser Permanente Novato	1,000-4,999	Clinics
Marinhealth Medical Center	1,000-4,999	Hospitals
Bay Equity	500-999	Real Estate Loans
Biomarin Pharmaceutical Inc	500-999	Laboratories - Research & Development
California Alpine Club	500-999	Clubs
College of Marin	500-999	Schools - Universities & Colleges
Glassdoor	500-999	Website Hosting
RH (restoration hardware)	500-999	Furniture
Bay Club	250-499	Health Club Studios & Gymnasiums
Braytom Purcell, LLP	250-499	Attorneys
Community Action Marin	250-499	Membership Organization
Golden Gate Transit	250-499	Transportation Services
Hospice by the Bay Marin	250-499	Physicians & Surgeons
Kaiser Permanente San Rafael	250-499	Hospitals
Macy's	250-499	Department Stores
Managed Health Network	250-499	Health Plans
Marin County Public Works Dept	250-499	Public Work Department
Marin Independent Journal	250-499	Newspapers
Marin YMCA	250-499	Youth Organizations
San Rafael Human Services	250-499	City Government
Sutter Care At Home	250-499	Home Health Services
Township Building Svc Inc	250-499	Janitor Services
Westamerica Bancorporation	250-499	Holding Companies
Whole Foods	250-499	Grocers- Retail
Sonoma County 2025		
Employer	Number of Employees	Industry
Aabalat Fine & Rare Wines	1,000-4,999	Wineries
Amy's Kitchen, Inc - Petaluma	1,000-4,999	Kitchen Cabinets & Equipment
Medtronic	1,000-4,999	Physicians & Surgeons
Providence Santa Rosa Memorial Hospital	1,000-4,999	Hospitals
Amy's Kitchen, Inc - Santa Rosa	500-999	Frozen Specialty Food Manufacturing
Coast Guard Training Center	500-999	Federal Government
County - Sonoma Trnsprt-n-Pubc	500-999	Fire Departments
Fairmont Sonoma Msn Inn & Spa	500-999	Hotels & Motels
Protransport - 1	500-999	Transportation Services
Sonoma County Office of Education	500-999	County Government
Sutter Santa Rosa Regional Hospital	500-999	Hospitals
Amy's Kitchen, Inc - Petaluma	250-499	Frozen Specialty Food Manufacturing
Army National Guard Recruiter	250-499	Government Offices - State
First Security Svs	250-499	Security Guard & Patrol Service
Ghilotti Construction	250-499	Road Building Contractors
La Torilla Factory	250-499	All Other General Merchandise Retailers
Macy's	250-499	Department Stores
Petaluma Valley Hospital	250-499	Hospitals
Redwood Empire Recycling	250-499	Recyclable Material Merchant Wholesalers
Santa Rosa Police Department	250-499	Police Protection
Solairus Aviation	250-499	Transportation Equipment Rental/ Leasing
Sonoma County Water Agency	250-499	Water Companies - Bottled/Bulk & Etc.
Stockham Construction	250-499	General Contractors
Walmart - Rohnert Park	250-499	Department Stores
Walmart - Windsor	250-499	Department Stores

Source: <https://labormarketinfo.edd.ca.gov/majorer/majorer.asp>



Sonoma-Marín Area Rail Transit District  
Operating Information (Unaudited)  
Current Year

**Table 12**  
**Sonoma-Marín Area Rail Transit District**  
**Operation Information (Unaudited)**

Fiscal Year	Ridership	Fare Revenue	Average Fare	Revenue Vehicle Hours	Revenue Vehicle Miles	Annual Passenger Miles
2020	567,103	\$ 3,091,660	\$ 5.45	28,993	82,145	13,516,234
2021	122,849	\$ 706,938	\$ 5.75	13,298	398,291	3,148,345
2022	354,328	\$ 1,283,112	\$ 3.62	23,174	679,245	7,855,912
2023	640,099	\$ 1,800,747	\$ 2.81	34,099	974,008	13,921,410
2024	850,270	\$ 2,192,253	\$ 2.58	27,279	1,019,822	18,405,491
2025	1,123,685	\$ 2,312,507	\$ 2.06	39,692*	1,102,447*	23,384,889*

Daily Fares	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Daily Max
Adult	\$ 1.50	\$ 3.00	\$ 4.50	\$ 6.00	\$ 7.50	\$ 15.00
Disabled & START Program	\$ 0.75	\$ 1.50	\$ 2.25	\$ 3.00	\$ 3.75	\$ 7.50
Youth & Senior	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Passes	Adult	Discounted
31 Day Pass	\$ 117.00	\$ 58.50

\* Draft NTD numbers for FY 25

Source: SMART National Transit Database Data & Fare Structure

Sonoma-Marín Area Rail Transit District  
Employees-Full-Time Equivalent (Unaudited)  
Last Ten Fiscal Years

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**Table 13**  
**Sonoma-Marín Area Rail Transit District**  
**Board Authorized Full Time Equivalents (FTE) Unaudited**

Division	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Administration	18.0	18.0	18.0	19.0	22.0	18.0	15.0	17.0	19.0	20.0
Capital Projects	12.0	12.0	10.0	11.0	11.0	7.0	7.0	7.0	9.0	9.0
Finance	6.0	6.0	7.0	7.0	7.0	6.0	10.0	12.0	12.0	14.0
General Manager	1.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0
Legal	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Operations	77.0	77.0	83.0	102.5	99.5	97.5	102.5	107.0	111.0	114.0
Safety & Security	2.0	3.5	4.5	4.5	4.5	5.0	5.0	5.0	5.0	6.0
Freight	0.0	0.0	0.0	0.0	0.0	0.0	1.0	6.0	6.0	6.5
<b>Total</b>	<b>119.0</b>	<b>121.5</b>	<b>127.5</b>	<b>149.0</b>	<b>149.0</b>	<b>137.5</b>	<b>144.5</b>	<b>158.0</b>	<b>166.0</b>	<b>174.5</b>



November 6, 2025

To the Governing Board of the  
Sonoma-Marín Area Rail Transit District  
Petaluma, California

We have audited the financial statements of the Sonoma-Marín Area Rail Transit District (District) as of and for the year ended June 30, 2025, and have issued our report thereon dated November 6, 2025. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards***

As communicated in our letter dated May 21, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's system of internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

## Qualitative Aspects of the Entity's Significant Accounting Practices

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year, except for the adoption of GASB Statement 101, *Compensated Absences*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Accounting Estimates and Related Disclosures*

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements relate to pension, other post-employment benefits, and compensated absences.

Management's estimates of the pension liability and other post-employment benefits liability, and related deferred inflows of resources and deferred outflows of resources are based on actuarial valuations. Management's estimate of the compensated absence liability is based on historical usage and current policies. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting District's financial statements relate to:

- **Note 6** describes the valuation of the District's net pension liability and related deferred outflows and inflows of resources. Such amounts are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed, a one percent increase or decrease in the discount rate has a material effect on the District's net pension liability.
- **Note 7** describes the District's postemployment benefits liability and related deferred outflows and inflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the discount rate and healthcare cost trend rate. As disclosed, a one percent increase or decrease in the discount rate or the healthcare cost trend rate has a material effect on the District's post-employment benefits liability.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

During our audit, we noted that management elected to implement GASB Statement No. 101, Compensated Absences, by presenting the effects of adoption as current year amounts, rather than restating the opening net position. As a result of this presentation, the opening net position for the passenger fund is overstated by approximately \$519 thousand and for the freight fund by approximately \$7 thousand, with corresponding overstatements reflected in current year expenses for both funds. We have evaluated this approach and determined that it was the result of a deliberate and reasonable decision by management, following careful consideration of materiality. We further note that this presentation does not impact the net position as of June 30, 2025.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

## **Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated November 6, 2025.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

## **Other Information Included in Annual Reports**

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in Sonoma-Marín Area Rail Transit District's annual reports does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the other information and considered whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the governing board and management of the Sonoma-Marín Area Rail Transit District and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eric Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California