

SONOMA-MARIN SMART AREA RAIL TRANSIT

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2026

RIDERSHIP PATHWAYS EXTENSIONS FREIGHT

CONNECTING COMMUNITIES.

SONOMA-MARIN AREA RAIL
TRANSIT DISTRICT
PETALUMA, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2026

PREPARED BY THE FINANCE DEPARTMENT

SONOMA-MARIN SMART AREA RAIL TRANSIT

VISION
Smarter transportation for a smarter future.

MISSION
We connect communities.

RIDERSHIP | PATHWAYS | EXTENSIONS | FREIGHT






Strategy, Innovation, and Organizational Excellence

VALUES
Safety · Integrity · Stewardship · Continuous Improvement

INTRODUCTORY SECTION

FISCAL YEAR ENDED JUNE 30, 2026

Sonoma-Marin Area Rail Transit District

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June 30, 2026

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Chris Coursey, Chair
Sonoma County Board of Supervisors

Mary Sackett, Vice Chair
Marin County Board of Supervisors

Janice Cader Thompson
Sonoma County Mayors' and Councilmembers Association

Kate Colin
Transportation Authority of Marin

Victoria Fleming
Sonoma County Mayors' and Councilmembers Association

Patty Garbarino
Golden Gate Bridge, Highway/Transportation District

Kevin Jacobs
Transportation Authority of Marin

Ariel Kelley
Sonoma County Mayors' and Councilmembers Association

Eric Lucan
Marin County Board of Supervisors

Barbara Pahre
Golden Gate Bridge, Highway/Transportation District

Gabe Paulson
Marin County Council of Mayors and Councilmembers

David Rabbitt
Sonoma County Board of Supervisors

Eddy Cumins
General Manager

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

November 13, 2026

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

State law requires that the Sonoma-Marin 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 ended June 30, 2026, 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. 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 ended June 30, 2026, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; 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 ended June 30, 2026, are fairly presented in conformity with GAAP.

The report consists of three sections:

- The Introductory section includes this letter of transmittal, a list of principal officials, SMART's organization chart, and a map of the SMART system.
- 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.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements 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 District was created to provide a unified and comprehensive structure for the ownership and governance of the 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 2017 with two-way service on 43 miles serving 10 stations between Downtown San Rafael in Marin County and Airport Boulevard in Sonoma County. In late 2019, two new stations opened in Downtown Novato and Larkspur, near the regional ferry to San Francisco, extending service to 45 miles and 12 stations. In January 2025, SMART opened the Petaluma North infill station, and in June 2025 it opened the Windsor extension and station, bringing the system to 48 miles and 14 stations. In May 2026, SMART broke ground on the Healdsburg Extension, a nearly nine-mile extension of the rail line and pathway north of Windsor. SMART and its partners have constructed more than 39 miles of bicycle and pedestrian pathway that connects to SMART stations, where cyclists can find secure parking or bring their bicycles on board.

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 (Measure Q) approved by voters in the SMART District, which encompasses Sonoma and Marin Counties, in 2008. The tax is scheduled to expire on March 31, 2029. On June 2, 2026, voters approved Measure B, which extends the tax for 30 years, through March 31, 2059.

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 rely on the strength of its voter-approved sales tax revenue, which in Fiscal Year 2026 provided approximately 57% of SMART's total revenues and approximately 70% of revenues other than capital contributions. Sales tax revenue is directly linked to local employment and income levels, and the District has a strong taxpayer base. Per capita personal income for 2026 is estimated at $220,082 in Marin County and $98,586 in Sonoma County. In June 2026, unemployment rates were 4.0% for Marin County and 4.2% for Sonoma County, compared with 5.2% for the State of California. SMART also receives significant funding from the State of California for its transit services, derived ultimately from state fuel and sales taxes.

In April 2026, as part of the Marin-Sonoma Coordinated Transit Service Plan (MASCOTS), SMART expanded service by 19% to 48 weekday trips and 24 trips on each weekend day.

SMART carried a record 1,475,994 passengers in Fiscal Year 2026, a 31% increase over Fiscal Year 2025. In addition, SMART carried 28,557 passengers on its SMART Connect shuttles to the Sonoma County Airport and the Larkspur Ferry Terminal, the pathway recorded 1,307,031 users, and 182,091 bicycles were carried on board.

FINANCIAL PLANNING

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.

On June 2, 2026, voters in Sonoma and Marin Counties approved Measure B, which extends SMART's one-quarter cent sales tax for 30 years beyond its scheduled March 31, 2029 expiration, through March 31, 2059. The measure, which qualified as a citizens' initiative and therefore required a simple majority, was approved by approximately 74.6% of voters and is expected to generate approximately $51 million annually for rail and pathway operations, maintenance, and capital needs. The extension secures SMART's primary source of revenue and supports the long-term implementation of the Strategic Plan.

In June 2026, the Board of Directors adopted the Fiscal Year 2027 budget, which projects passenger rail and pathway revenues of $92.6 million, including sales tax revenue of $50.4 million, and expenditures of $101.5 million.

GENERAL INFORMATION

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. With voters' approval of Measure B in June 2026, SMART's primary revenue source is secured through 2059. With continued leadership from the Board, ongoing vigilance in maintaining necessary reserves, and planning for future financial challenges, SMART's current and future operations remain on solid footing.

ACKNOWLEDGEMENTS

Timely preparation of the annual comprehensive financial report was made possible by the dedicated service of Kathy Holt, SMART's Accounting Manager, which was led by Heather McKillop as Chief Financial Officer during fiscal year 2026. The Board appointed Troy Bingham as Chief Financial Officer at its August 19, 2026 meeting. 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,



Troy Bingham
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sonoma-Marin Area Rail Transit District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2025

Christopher P. Morrill

Executive Director/CEO

Sonoma-Marin Area Rail Transit District
Board of Directors
Fiscal Year 2025-2026

Chris Coursey, Chair Sonoma County Board of Supervisors	Mary Sackett, Vice Chair Marin County Board of Supervisors
Janice Cader Thompson Sonoma County Mayors' and Councilmembers Association	Kate Colin Transportation Authority of Marin
Victoria Fleming Sonoma County Mayors' and Councilmembers Association	Patty Garbarino Golden Gate Bridge, Highway and Transportation District
Ariel Kelley Sonoma County Mayors' and Councilmembers Association	Eric Lucan Marin County Board of Supervisors
Kevin Jacobs 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

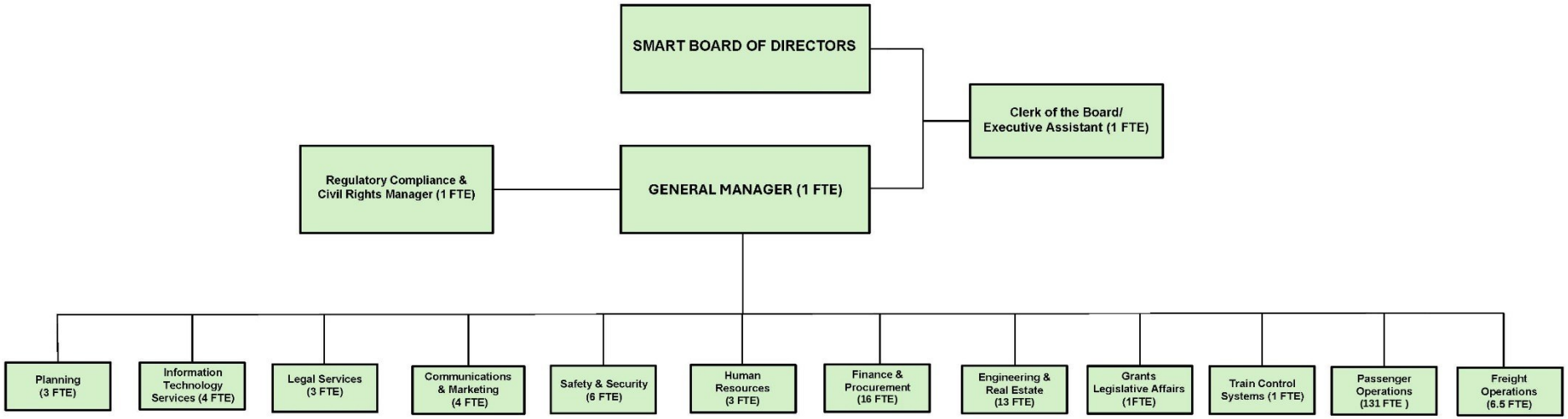
The Board of Directors appoints a General Manager for the District. In addition to the General Manager, the Board also appoints the Chief Financial Officer and the General Counsel.

General Manager – Eddy Cumins
Chief Financial Officer –Troy Bingham (from August 2026)
General Counsel – Jessica Sutherland

(Budgeted FTE)

ORGANIZATION CHART

Total FTE: 194.5




MENDOCINO CO.
SONOMA CO.
Cloverdale
(planned)
Geyserville
Healdsburg
(planned)
Windsor
Guerneville
Sonoma County
Airport
Santa Rosa North
Santa Rosa Downtown
Sebastopol
Rohnert Park
Cotati
Bodega
Bay
Petaluma North
Petaluma
Downtown
Petaluma
Sonoma
Schellville
Lombard
Novato
San Marin
Novato
Downtown
Point
Reyes
Novato Hamilton
DRAKE'S
BAY
Marin Civic Center
San Rafael
Larkspur
Mill Valley
Bolinas
Tiburon
Sausalito
PACIFIC OCEAN
Oakland
San Francisco Bound
Ferry Connection
San
Francisco
NAPA CO.
SONOMA CO.
SONOMA CO.
MARIN CO.
SONOMA-MARIN
SMART
AREA RAIL TRANSIT
SMART PASSENGER RAIL & MULTIUSE PATH
Project Length: 70 miles
SMART Stations
SMART Rail
Future SMART Rail
SMART Owned Railroad Right-of-Way
Urban Areas

SONOMA-MARIN SMART AREA RAIL TRANSIT





FINANCIAL SECTION

FISCAL YEAR ENDED JUNE 30, 2026

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Independent Auditor's Report

To the Board of Directors
Sonoma-Marin 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-Marin Area Rail Transit District (the District), as of and for the year ended June 30, 2026, 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-Marin Area Rail Transit District, as of June 30, 2026, 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.

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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, the Schedule of the District's Proportionate Share of the Net Pension Liability – Pension Plan, the Schedule of Contributions – Pension Plan, and the 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 report dated November 13, 2026 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.

Eide Bailly LLP

Menlo Park, California
November 13, 2026

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Management's Discussion and Analysis
June 30, 2026

Sonoma-Marin Area Rail Transit District

Management's Discussion and Analysis

As management of the Sonoma-Marin Area Rail Transit District (SMART or District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2026. Readers should consider this information together with the basic financial statements and the accompanying notes. This discussion is presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*, which the District implemented in fiscal year 2026.

Overview of the Financial Statements

The District's basic financial statements consist of the statement of net position; the statement of revenues, expenses, and changes in fund net position; the statement of cash flows; and the notes to the financial statements. The District reports two enterprise funds: the Passenger fund, which accounts for passenger rail and pathway activities, and the Freight fund, which accounts for freight rail operations. Enterprise funds are used because the District's activities are financed and operated in a manner similar to private businesses. The statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The statement of revenues, expenses, and changes in fund net position reports how net position changed during the year. As required by GASB Statement No. 103, beginning in fiscal year 2026 the statement presents operating revenues and expenses; operating income (loss); noncapital subsidies, which consist principally of the District's sales tax and state and federal operating assistance; operating income (loss) and noncapital subsidies; and other nonoperating revenues and expenses, including investment income, interest expense, and capital contributions. Revenues and expenses are reported when the underlying event occurs, regardless of the timing of the related cash flows. Fiscal year 2025 amounts in this discussion and analysis are presented as originally reported and have not been restated for the implementation of GASB Statement No. 103; accordingly, certain fiscal year 2026 and 2025 amounts are not comparable. The effects of this change in accounting principle are described in Note 1P to the financial statements.

The statement of cash flows reports cash receipts and payments classified as operating, noncapital financing, capital and related financing, and investing activities. The notes to the financial statements provide information that is essential to a full understanding of the statements, and the required supplementary information that follows the notes presents the District's pension and other postemployment benefit (OPEB) schedules.

Financial Summary and Detailed Analyses

The following summarizes the District's financial results for fiscal year 2026 for the Passenger and Freight funds combined:

- Net position increased $11.7 million (1.7%) to $686.0 million at June 30, 2026. Net investment in capital assets was $536.6 million, restricted net position was $6.3 million, and unrestricted net position was $143.0 million.
- Operating revenues were $5.6 million, compared with $3.8 million as originally reported for fiscal year 2025. Beginning in fiscal year 2026, lease, rent, and miscellaneous revenues ($1.4 million in fiscal year 2026) are reported as operating revenues rather than nonoperating revenues (see Note 1P). Passenger fares increased $0.6 million (25.2%) as ridership grew 31% to a record 1,475,994 riders.
- Operating expenses were $74.9 million, an increase of $9.4 million (14.3%). Depreciation and amortization increased $6.3 million as the Windsor extension, the Petaluma North station, and pathway segments were placed in service, and services and supplies increased $3.0 million.
- Noncapital subsidies were $63.1 million, an increase of $1.6 million (2.6%) over the sales tax and operating assistance reported as nonoperating revenues in fiscal year 2025. Sales tax revenue increased $1.0 million (2.1%) to $49.8 million, and state and federal operating assistance was $13.1 million.
- After noncapital subsidies, the District reported a loss of $6.2 million in fiscal year 2026, compared with a loss of $0.3 million in fiscal year 2025.
- Capital contributions were $16.2 million, $36.8 million lower than in fiscal year 2025, because grant-funded construction of the Windsor extension and the Petaluma North station was substantially completed in fiscal year 2025.
- Bonds payable decreased $15.9 million to $46.1 million as scheduled principal was paid. In June 2026, voters approved Measure B, which extends the District's sales tax through March 2059.

Passenger Fund

- Operating revenues were $4.2 million, an increase of $1.5 million (55.1%), driven by higher passenger fares on record ridership and the reporting of lease, rent, and miscellaneous revenues as operating revenues beginning in fiscal year 2026.
- Operating expenses, excluding depreciation and amortization, were $46.6 million, an increase of $0.8 million (1.8%) due to inflationary cost increases from vendors.
- Net position increased $11.7 million to $672.9 million, of which $142.3 million is unrestricted.

Freight Fund

- Total revenues were $4.1 million, an increase of $2.0 million, primarily because state operating assistance increased $2.3 million to $2.5 million and the fund received $0.2 million of federal (FEMA/CalOES) assistance.
- Operating expenses, excluding depreciation, were $4.1 million, an increase of $2.3 million, primarily for emergency repairs and a provision for claims.
- Net position decreased $31 thousand to $13.1 million, of which $0.7 million is unrestricted.

Net Position

The District's net position was $686.0 million at June 30, 2026. The largest portion (78%) reflects the District's net investment in capital assets (e.g., land, stations, track and crossings, pathway, bridges, and tunnels), net of related debt. The District uses these capital assets to provide passenger and freight rail services and a public pathway; consequently, these assets are not available for future spending. Restricted net position of $6.3 million is held for debt service. Unrestricted net position of $143.0 million may be used to meet the District's ongoing obligations.

Passenger and Freight Combined - Statement of Net Position	Business Type Activities 2026	2025	Inc/(Dec)$	Inc/(Dec)%
Assets				
Current and Other Assets	$ 172,294,058	$ 167,294,668	$ 4,999,390	3%
Capital Assets	589,878,679	595,481,240	(5,602,561)	-1%
Lease Receivables (Noncurrent)	2,621,181	2,396,984	224,197	9%
Total Assets	764,793,918	765,172,892	(378,974)	0%
Total Deferred Outflows of Resources	4,071,652	4,556,911	(485,259)	-11%
Liabilities				
Long-Term Liabilities Outstanding	37,899,488	54,638,972	(16,739,484)	-31%
Other Liabilities	37,650,224	34,041,901	3,608,323	11%
Total Liabilities	75,549,712	88,680,873	(13,131,161)	-15%
Total Deferred Inflows of Resources	7,363,234	6,752,016	611,218	9%
Net Position				
Net Investment in Capital Assets	536,573,366	527,827,964	8,745,402	2%
Restricted	6,331,323	5,909,310	422,013	7%
Unrestricted	143,047,935	140,559,640	2,488,295	2%
Total Net Position	**$ 685,952,624**	**$ 674,296,914**	**$ 11,655,710**	2%

Current and other assets increased $5.0 million. Cash and cash equivalents, including restricted amounts held by the bond trustee, increased $28.3 million, largely because amounts due from other governments decreased $20.8 million as grant reimbursements for completed projects were collected. Capital assets decreased $5.6 million because depreciation and amortization of $24.3 million exceeded capital additions.

Long-term liabilities decreased $16.7 million, primarily from the reclassification of $16.1 million of bonds to current as they come due and a $1.1 million decrease in the net pension liability, partially offset by $1.1 million of new subscription liabilities. Other liabilities increased $3.6 million, primarily from a $4.7 million increase in accounts payable for year-end construction and repair invoices, partially offset by a $1.9 million decrease in unearned revenue. Deferred outflows of resources decreased $0.5 million and deferred inflows of resources increased $0.6 million, reflecting changes in pension-, OPEB-, and lease-related deferred amounts.

Net position increased $11.7 million in fiscal year 2026, compared with an increase of $57.2 million in fiscal year 2025. The smaller increase is primarily due to $36.8 million less in capital contributions, as the major capital projects funded by grants were completed in fiscal year 2025, and $6.3 million more depreciation and amortization on those projects once placed in service. Operating loss and noncapital subsidies was $6.2 million, compared with $0.3 million for fiscal year 2025 computed from amounts as originally reported, when lease, rent, and miscellaneous revenues were reported as nonoperating revenues (see Note 1P).

Passenger and Freight Combined - Statement of Revenues, Expenses, and Changes in Net Position	**Business Type Activities**			
	2026	**2025**	**Inc/(Dec)$**	**Inc/(Dec)%**
Operating Revenues				
Passenger fares	$ 2,893,905	$ 2,311,172	$ 582,733	25%
Freight movement	831,315	917,787	(86,472)	-9%
Other operating revenues	1,868,185	526,712	1,341,473	255%
Total operating revenues	5,593,405	3,755,671	1,837,734	49%
Operating Expenses				
Salaries and employee benefits	29,544,910	29,353,266	191,644	1%
Depreciation and amortization	24,255,403	17,966,536	6,288,867	35%
Other operating expenses	21,108,824	18,205,978	2,902,846	16%
Total operating expenses	74,909,137	65,525,780	9,383,357	14%
Operating loss	(69,315,732)	(61,770,109)	(7,545,623)	12%
Noncapital Subsidies				
Sales and use taxes, net	49,814,504	48,804,068	1,010,436	2%
State and federal operating assistance	13,113,923	12,681,819	432,104	3%
Other noncapital subsidies	150,883	-	150,883	n/m
Total noncapital subsidies	63,079,310	61,485,887	1,593,423	3%
Operating loss and noncapital subsidies	(6,236,422)	(284,222)	(5,952,200)	2094%
Other Nonoperating Revenues (Expenses)				
Investment and lease interest earnings	2,905,862	4,389,562	(1,483,700)	-34%
Interest expense	(1,171,575)	(1,331,564)	159,989	-12%
Capital contributions	16,152,934	52,933,892	(36,780,958)	-69%
Other, net	4,911	1,537,391	(1,532,480)	-100%
Total other nonoperating revenues (expenses)	17,892,132	57,529,281	(39,637,149)	-69%
Income (loss) before unusual or infrequent items	11,655,710	57,245,059	(45,589,349)	-80%
Change in net position	11,655,710	57,245,059	(45,589,349)	-80%
Net position - beginning of year	674,296,914	617,051,855	57,245,059	9%
Net position - end of year	**$ 685,952,624**	**$ 674,296,914**	**$ 11,655,710**	2%

Fiscal Year 2026 Revenues

Combined Passenger and Freight

Under GASB Statement No. 103, the District's revenues are classified as operating revenues, noncapital subsidies, or other nonoperating revenues, which include capital contributions. Total revenues were $87.7 million in fiscal year 2026, $36.5 million (29.4%) lower than in fiscal year 2025, almost entirely because of lower capital contributions. Fiscal year 2025 amounts are presented as originally reported and have not been restated for GASB Statement No. 103. In fiscal year 2025, sales tax, operating assistance, and lease, rent, and miscellaneous revenues were all reported as nonoperating revenues; beginning in fiscal year 2026, sales tax and operating assistance are reported as noncapital subsidies and lease, rent, and miscellaneous revenues are generally reported as operating revenues (see Note 1P).

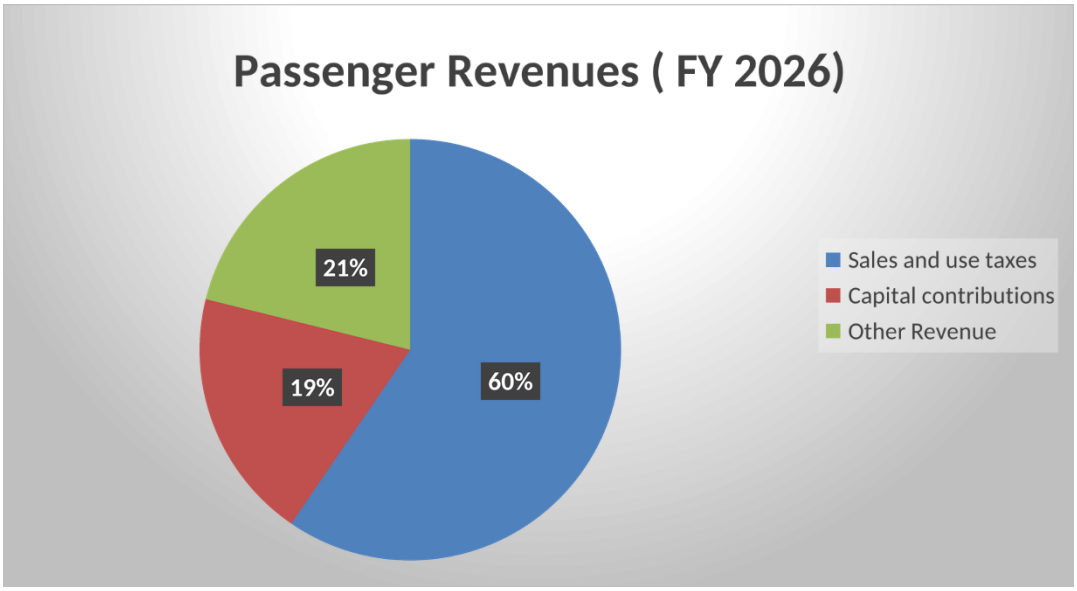
Category	2026	2025	Inc/(Dec)$	Inc/(Dec)%
Operating Revenues				
Passenger fares	$ 2,893,905	$ 2,311,172	$ 582,733	25%
Freight movement	831,315	917,787	(86,472)	-9%
Other services	487,055	526,712	(39,657)	-8%
Lease and rent revenue	800,481	-	800,481	n/m
Miscellaneous operating	580,649	-	580,649	n/m
Total operating revenues	5,593,405	3,755,671	1,837,734	49%
Noncapital Subsidies				
Sales and use taxes, net	49,814,504	48,804,068	1,010,436	2%
State operating assistance	6,985,741	8,860,573	(1,874,832)	-21%
Federal operating assistance	6,128,182	3,821,246	2,306,936	60%
Other intergovernmental	150,883	-	150,883	n/m
Total noncapital subsidies	63,079,310	61,485,887	1,593,423	3%
Other Nonoperating Revenues				
Investment and lease interest earnings	2,905,862	4,389,562	(1,483,700)	-34%
Gain on sale of capital assets	4,911	24,417	(19,506)	-80%
Rent and miscellaneous nonoperating	-	1,621,643	(1,621,643)	-100%
Capital contributions	16,152,934	52,933,892	(36,780,958)	-69%
Total other nonoperating revenues	19,063,707	58,969,514	(39,905,807)	-68%
Total Revenues	**$ 87,736,422**	**$ 124,211,072**	**$ (36,474,650)**	-29%

Passenger

- Operating revenues were $4.2 million, an increase of $1.5 million (55.1%), including $0.8 million of lease, rent, and miscellaneous revenues reported as operating revenues beginning in fiscal year 2026 (see Note 1P). Passenger fares increased $0.6 million (25.2%) as ridership grew 31%, supported by the Windsor and Petaluma North stations opened in fiscal year 2025 and the April 2026 service expansion. Fare revenue grew more slowly than ridership because of the Youth and Seniors Ride Free program, which SMART continued in fiscal year 2026.
- Noncapital subsidies were $60.4 million, a decrease of $0.9 million (1.5%):
    - Sales tax, the District's largest ongoing revenue source, increased $1.0 million (2.1%) to $49.8 million, reflecting modest growth in taxable sales in the two counties (Table 5).
    - State operating assistance decreased $4.2 million (48.3%) and federal operating assistance increased $2.1 million (55.3%), reflecting the timing and mix of formula funds applied to operations, including federal preventive maintenance funds.
- Investment and lease interest earnings, which are reported as other nonoperating revenues, decreased $1.5 million (33.8%), primarily because the fair value of investments decreased $0.2 million in fiscal year 2026, compared with an increase of $1.3 million in fiscal year 2025; interest earned was comparable to the prior year.

Capital contributions were $16.2 million, $36.8 million (69.5%) lower than in fiscal year 2025, because grant-funded construction of the Windsor extension, the Petaluma North station, and pathway segments was substantially completed in fiscal year 2025. Fiscal year 2026 contributions, primarily from the State of California ($14.9 million), funded the Healdsburg Extension design and pathway segments, and include $1.3 million received from a developer as reimbursement for land purchased in fiscal year 2025 for the Petaluma North Station parking lot (see Note 8). Capital contributions are reported net of a $0.5 million increase in the estimate of uncollectible grant billings, principally a $0.4 million Federal Transit Administration billing for a pathway project that was written off (see Note 1G).

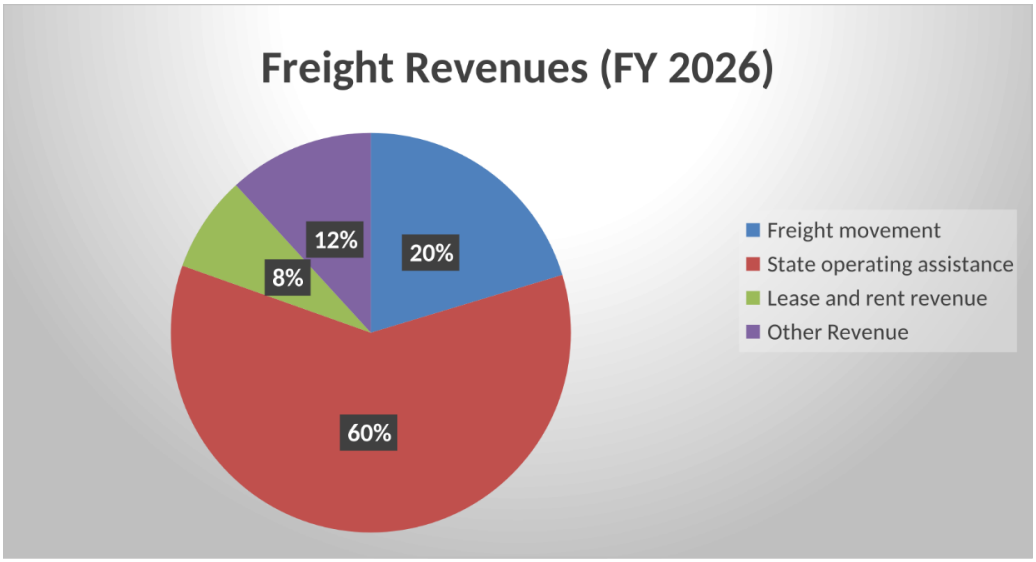
Category	2026	2025	Inc/(Dec)$	Inc/(Dec)%
Operating Revenues				
Passenger fares	$ 2,893,905	$ 2,311,172	$ 582,733	25%
Other services	463,710	368,925	94,785	26%
Lease and rent revenue	482,624	-	482,624	n/m
Miscellaneous operating	317,679	-	317,679	n/m
Total operating revenues	4,157,918	2,680,097	1,477,821	55%
Noncapital Subsidies				
Sales and use taxes, net	49,814,504	48,804,068	1,010,436	2%
State operating assistance	4,527,699	8,751,472	(4,223,773)	-48%
Federal operating assistance	5,935,168	3,821,246	2,113,922	55%
Other intergovernmental	150,883	-	150,883	n/m
Total noncapital subsidies	60,428,254	61,376,786	(948,532)	-2%
Other Nonoperating Revenues				
Investment and lease interest earnings	2,903,414	4,386,543	(1,483,129)	-34%
Gain on sale of capital assets	4,911	24,417	(19,506)	-80%
Rent and miscellaneous nonoperating	-	750,519	(750,519)	-100%
Capital contributions	16,152,934	52,933,892	(36,780,958)	-69%
Total other nonoperating revenues	19,061,259	58,095,371	(39,034,112)	-67%
Total Revenues	**$ 83,647,431**	**$ 122,152,254**	**$ (38,504,823)**	-32%



Freight

- Operating revenues were $1.4 million, compared with $1.1 million as originally reported for fiscal year 2025. Fiscal year 2026 operating revenues include $0.6 million of lease, rent, and miscellaneous revenues that were reported as nonoperating revenues in fiscal year 2025 (see Note 1P); excluding those revenues, operating revenues decreased $0.2 million, primarily due to lower freight movement fees ($0.1 million) and lower other services revenues ($0.1 million).
- Noncapital subsidies were $2.7 million, compared with $0.1 million in fiscal year 2025, consisting of $2.5 million of state operating assistance and $0.2 million of federal FEMA/CalOES disaster assistance for freight infrastructure damage. The increase in state operating assistance reflects recognition of previously unearned CalSTA and Caltrans grant funding to cover eligible Freight operating costs, excluding depreciation.
- There were no capital contributions in the Freight fund in fiscal year 2026.

Category	2026	2025	Inc/(Dec)$	Inc/(Dec)%
Operating Revenues				
Freight movement	831,315	917,787	(86,472)	-9%
Other services	23,345	157,787	(134,442)	-85%
Lease and rent revenue	317,857	-	317,857	n/m
Miscellaneous operating	262,970	-	262,970	n/m
Total operating revenues	1,435,487	1,075,574	359,913	33%
Noncapital Subsidies				
State operating assistance	2,458,042	109,101	2,348,941	2153%
Federal operating assistance	193,014	-	193,014	n/m
Total noncapital subsidies	2,651,056	109,101	2,541,955	2330%
Other Nonoperating Revenues				
Investment and lease interest earnings	2,448	3,019	(571)	-19%
Rent and miscellaneous nonoperating	-	871,124	(871,124)	-100%
Total other nonoperating revenues	2,448	874,143	(871,695)	-100%
Total Revenues	**$ 4,088,991**	**$ 2,058,818**	**$ 2,030,173**	99%



Fiscal Year 2026 Expenses

Salaries and employee benefits are the District's largest operating expense, representing 58% of operating expenses excluding depreciation and amortization. Operating expenses excluding depreciation and amortization were $50.7 million in fiscal year 2026, an increase of $3.1 million (6.5%), and depreciation and amortization increased $6.3 million (35.0%) as major projects were placed in service. Total expenses, including interest expense, were $76.1 million in fiscal year 2026, compared with $67.0 million in fiscal year 2025, an increase of $9.1 million (13.6%). Fiscal year 2025 amounts are presented as originally reported; short-term rent expense of $0.1 million, which was reported as a nonoperating expense in fiscal year 2025, is reported with services and supplies beginning in fiscal year 2026 (see Note 1P). Beginning in fiscal year 2026, changes in the estimate of uncollectible accounts are reported as adjustments of the related revenues rather than as miscellaneous expenses (see Note 1G); fiscal year 2025 miscellaneous expenses of $0.1 million are presented as originally reported.

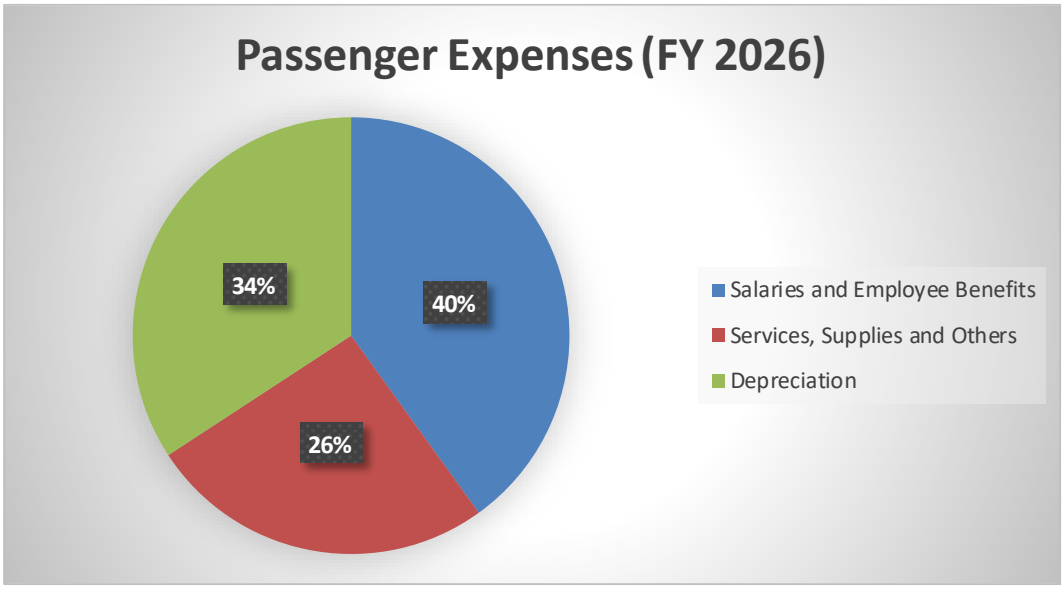
Combined Passenger and Freight

Category	2026	2025	Inc/(Dec)$	Inc/(Dec)%
Salaries and Employee Benefits	$ 29,544,910	$ 29,353,266	$ 191,644	1%
Services and supplies	21,108,824	18,075,070	3,033,754	17%
Miscellaneous	-	130,908	(130,908)	-100%
Subtotal	50,653,734	47,559,244	3,094,490	7%
Depreciation and amortization	24,255,403	17,966,536	6,288,867	35%
Total operating expenses	**$ 74,909,137**	**$ 65,525,780**	**$ 9,383,357**	14%

Passenger

- The Passenger fund's operating expenses, excluding depreciation and amortization, were $46.6 million, an increase of $0.8 million (1.8%).
- Salaries and benefits decreased $0.1 million (0.4%). Lower pension expense ($0.7 million), workers' compensation costs ($0.2 million), and regular salaries ($0.3 million) more than offset higher overtime and health insurance costs and $0.7 million less staff time charged to capital projects as major projects were completed.
- Services and supplies, combined with miscellaneous expenses, were $18.2 million, an increase of $0.9 million (5.3%). Legal services increased $1.1 million, mitigation services added $0.8 million, fuel costs increased $0.6 million with expanded service, and administrative contract services and insurance increased a combined $0.8 million; these increases were partially offset by a $2.2 million decrease in consultant services.
- Depreciation and amortization increased $6.3 million to $24.2 million as the Windsor extension, the Petaluma North station, and pathway segments were placed in service.

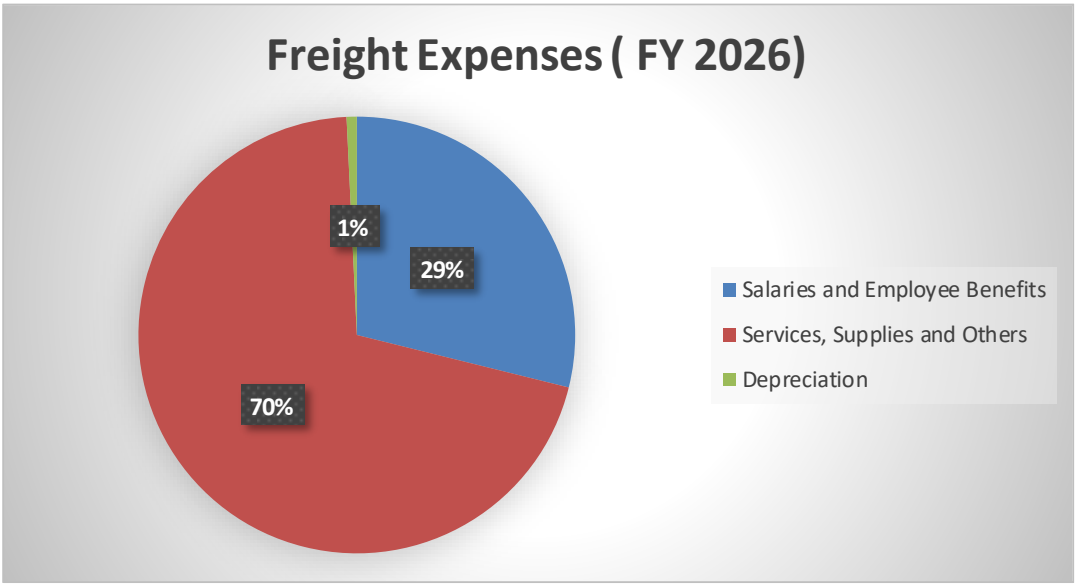
Category	2026	2025	Inc/(Dec)$	Inc/(Dec)%
Salaries and Employee Benefits	$ 28,355,683	$ 28,461,382	$ (105,699)	0%
Services and supplies	18,209,061	17,181,520	1,027,541	6%
Miscellaneous	-	104,884	(104,884)	-100%
Subtotal	46,564,744	45,747,786	816,958	2%
Depreciation and amortization	24,224,384	17,935,518	6,288,866	35%
Total operating expenses	**$ 70,789,128**	**$ 63,683,304**	**$ 7,105,824**	11%



Freight

- The Freight fund's operating expenses, excluding depreciation, were $4.1 million, an increase of $2.3 million (125.7%).
- Salaries and benefits increased $0.3 million (33.3%), reflecting additional freight staff and overtime for emergency repairs.
- Services and supplies, combined with miscellaneous expenses, increased $2.0 million, primarily because of a $1.1 million provision for claims, principally reimbursements to freight customers for trucking costs incurred because of damage to the Black Point Bridge, and a $0.8 million increase in railway maintenance, including emergency repairs to the Black Point Bridge and the Highway 37 crossing.

Category	2026	2025	Inc/(Dec)$	Inc/(Dec)%
Salaries and Employee Benefits	$ 1,189,227	$ 891,884	$ 297,343	33%
Services and supplies	2,899,763	893,550	2,006,213	225%
Miscellaneous	-	26,024	(26,024)	-100%
Subtotal	4,088,990	1,811,458	2,277,532	126%
Depreciation and amortization	31,019	31,018	1	0%
Total operating expenses	**$ 4,120,009**	**$ 1,842,476**	**$ 2,277,533**	124%



Capital Assets

The District's capital assets, net of accumulated depreciation and amortization, were $589.9 million at June 30, 2026, a decrease of $5.6 million from June 30, 2025, because depreciation and amortization of $24.3 million exceeded additions of $18.7 million. Additions consisted primarily of $16.7 million of construction in progress, principally for design of the Healdsburg Extension, and a $1.8 million subscription asset for enterprise resource planning software. During fiscal year 2026, completed projects of $119.1 million were transferred from construction in progress to depreciable capital assets, including the Windsor extension, the Petaluma North station and McDowell Boulevard crossing, and the Golf Course Drive and Penngrove pathway segments. Construction in progress of $15.8 million at year-end includes design of the Healdsburg Extension under the $21.8 million Phase I progressive design-build agreement awarded in September 2025.

Passenger and Freight Combined - Capital Assets	**2026**	**2025**	**Inc/(Dec)$**	**Inc/(Dec)%**
Assets				
Land	$ 52,168,194	$ 52,168,194	$ -	0%
Intangible assets	4,025,370	4,025,370	-	0%
Construction in progress	15,805,795	118,233,965	(102,428,170)	-87%
Total Non-Depreciable Capital Assets	71,999,359	174,427,529	(102,428,170)	-59%
Infrastructure	348,521,314	285,497,802	63,023,512	22%
Facilities	113,004,786	78,762,567	34,242,219	43%
Equipment	7,685,438	7,194,377	491,061	7%
Revenue vehicles	44,452,804	46,531,260	(2,078,456)	-4%
Non-Revenue vehicles	1,510,307	1,489,337	20,970	1%
Intangible assets (including subscription assets)	1,431,794	-	1,431,794	n/m
Right-to-use lease assets - building	1,272,877	1,578,368	(305,491)	-19%
Total Depreciable Capital Assets, Net	517,879,320	421,053,711	96,825,609	23%
Total Capital Assets, Net of Depreciation	**$ 589,878,679**	**$ 595,481,240**	**$ (5,602,561)**	-1%

Additional information on the District's capital assets can be found in Note 3.

Long-Term Financing

The District had $46.1 million of Measure Q Sales Tax Revenue Refunding Bonds (Green Bonds) outstanding at June 30, 2026, compared with $62.0 million at June 30, 2025, reflecting scheduled principal payments of $15.9 million. The bonds mature on March 1, 2029. The District did not issue new debt in fiscal year 2026. Lease liabilities decreased $0.4 million to $1.0 million as scheduled lease payments were made. During fiscal year 2026, the District entered into a subscription-based information technology arrangement (SBITA) for cloud-based enterprise resource planning and procurement software and reported a subscription liability of $1.5 million at June 30, 2026. Additional information on long-term debt, leases, and SBITAs can be found in Notes 4 and 5.

Currently Known Facts, Decisions, or Conditions

On June 2, 2026, voters in Sonoma and Marin Counties approved Measure B, which extends the District's one-quarter cent sales tax for 30 years beyond its scheduled March 31, 2029 expiration, through March 31, 2059. Sales tax provides more than half of the District's revenues other than capital contributions, and the extension secures the District's primary source of funding for operations, maintenance, debt service, and capital needs.

In April 2026, the District expanded service to 48 weekday trips and 24 trips on each weekend day under the Marin-Sonoma Coordinated Transit Service Plan (MASCOTS), and in May 2026 it broke ground on the Healdsburg Extension, which is being delivered under a progressive design-build contract.

The Board of Directors adopted the fiscal year 2027 budget in June 2026, with passenger rail and pathway revenues of $92.6 million, including sales tax revenue of $50.4 million, and expenditures of $101.5 million, including $17.0 million of debt service and $29.2 million of capital and other projects. The excess of budgeted expenditures over revenues is to be funded from the District's available fund balance. The District's sales tax revenue depends on the economic health of the two counties, particularly employment and consumer spending.

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-Marin Area Rail Transit District, Chief Financial Officer, 5401 Old Redwood Highway, Suite 200, Petaluma, CA 94954.

Sonoma-Marin Area Rail Transit District
Statement of Net Position
As of June 30, 2026

	Passenger	Freight	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 110,077,350	$ 5,249,821	$ 115,327,171
Restricted cash, cash equivalents, and investments	6,632,761	-	6,632,761
Sales tax receivables	8,670,960	-	8,670,960
Due from other governments	33,023,492	531,888	33,555,380
Lease receivables	125,758	77,300	203,058
Other receivables	608,215	271,305	879,520
Deposits with others	49,143	-	49,143
Inventory	3,068,612	-	3,068,612
Interest receivable	4,666	860	5,526
Prepaid expenses	3,885,279	16,648	3,901,927
Total current assets	166,146,236	6,147,822	172,294,058
Noncurrent Assets			
Lease receivables	2,505,295	115,886	2,621,181
Capital assets not depreciated	60,707,223	11,292,136	71,999,359
Capital assets, net of accumulated depreciation	516,804,126	1,075,194	517,879,320
Total noncurrent assets	580,016,644	12,483,216	592,499,860
Total assets	746,162,880	18,631,038	764,793,918
Deferred Outflows of Resources			
Pension related	2,983,163	-	2,983,163
OPEB related	1,088,489	-	1,088,489
Total deferred outflows of resources	4,071,652	-	4,071,652
Liabilities			
Current Liabilities			
Accounts payable	11,689,672	1,648,238	13,337,910
Accrued liabilities	1,147,888	176,959	1,324,847
Bonds payable - current	16,105,000	-	16,105,000
Due to State	11,324	-	11,324
Interest payable	301,438	-	301,438
Unearned revenue	293,407	3,419,267	3,712,674
Total OPEB liability - current	16,939	-	16,939
Compensated absences	2,015,454	61,292	2,076,746
Leases payable	430,722	-	430,722
Subscription liabilities	332,624	-	332,624
Total current liabilities	32,344,468	5,305,756	37,650,224
Noncurrent Liabilities			
Compensated absences	1,195,644	48,627	1,244,271
Bonds payable	30,000,000	-	30,000,000
Leases payable	543,262	-	543,262
Other noncurrent liabilities	243,740	-	243,740
Net Pension liability	1,967,673	-	1,967,673
Total OPEB liability	2,763,635	-	2,763,635
Subscription liabilities	1,136,907	-	1,136,907
Total noncurrent liabilities	37,850,861	48,627	37,899,488
Total liabilities	70,195,329	5,354,383	75,549,712
Deferred Inflows of Resources			
Lease related	2,460,121	184,745	2,644,866
OPEB related	4,452,437	-	4,452,437
Pension related	265,931	-	265,931
Total deferred inflows of resources	7,178,489	184,745	7,363,234
Net Position			
Net investment in capital assets	524,206,036	12,367,330	536,573,366
Restricted for debt service	6,331,323	-	6,331,323
Unrestricted	142,323,355	724,580	143,047,935
Total net position	$ 672,860,714	$ 13,091,910	$ 685,952,624

Sonoma-Marin Area Rail Transit District

Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Year Ended June 30, 2026

	Passenger	Freight	Total
Operating Revenues			
Charges for services			
Passenger fares	$ 2,893,905	$ -	$ 2,893,905
Other services	463,710	23,345	487,055
Freight movement	-	831,315	831,315
Lease and rent revenue	482,624	317,857	800,481
Miscellaneous	317,679	262,970	580,649
Total Operating Revenues	4,157,918	1,435,487	5,593,405
Operating Expenses			
Salaries and employee benefits	28,355,683	1,189,227	29,544,910
Services and supplies	18,209,061	2,899,763	21,108,824
Depreciation and amortization	24,224,384	31,019	24,255,403
Total Operating Expenses	70,789,128	4,120,009	74,909,137
Operating Loss	(66,631,210)	(2,684,522)	(69,315,732)
Noncapital Subsidies			
Sales and use taxes, net	49,814,504	-	49,814,504
State operating assistance	4,527,699	2,458,042	6,985,741
Federal operating assistance	5,935,168	193,014	6,128,182
Other intergovernmental	150,883	-	150,883
Total Noncapital Subsidies	60,428,254	2,651,056	63,079,310
Operating Loss and Noncapital Subsidies	(6,202,956)	(33,466)	(6,236,422)
Other Nonoperating Revenues (Expenses)			
Investment earnings	2,847,947	-	2,847,947
Interest earnings - leases	55,467	2,448	57,915
Interest expense	(1,171,575)	-	(1,171,575)
Gain on sale of capital assets	4,911	-	4,911
Capital contributions	16,152,934	-	16,152,934
Total Other Nonoperating Revenues (Expenses)	17,889,684	2,448	17,892,132
Change in Net Position	11,686,728	(31,018)	11,655,710
Net Position - Beginning of Year	661,173,986	13,122,928	674,296,914
Net Position - End of Year	$ 672,860,714	$ 13,091,910	$ 685,952,624

Sonoma-Marin Area Rail Transit District
Statement of Cash Flows
For the Year Ended June 30, 2026

	Passenger	Freight	Total
Cash Flows from Operating Activities			
Receipts from customers	$ 2,893,905	$ 1,487,928	$ 4,381,833
Receipts from others	1,211,853	-	1,211,853
Payments to suppliers for goods and services	(14,563,916)	(1,689,782)	(16,253,698)
Cash payments to employees for services	(28,132,060)	(1,176,076)	(29,308,136)
Net Cash Used for Operating Activities	(38,590,218)	(1,377,930)	(39,968,148)
Cash Flows from Noncapital Financing Activities			
Sales tax	49,664,192	-	49,664,192
State operating assistance	9,802,125	131,228	9,933,353
Federal operating assistance	5,814,586	193,014	6,007,600
Other intergovernmental receipts	150,883	-	150,883
Net Cash Provided by Noncapital Financing Activities	65,431,786	324,242	65,756,028
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(14,575,603)	-	(14,575,603)
Proceeds from sale of capital assets	4,911	-	4,911
Capital grants received restricted for capital purposes	32,128,785	-	32,128,785
Principal paid on lease and subscription liabilities	(720,209)	-	(720,209)
Principal payments on long-term debt	(15,860,000)	-	(15,860,000)
Interest paid on capital debt	(1,253,997)	-	(1,253,997)
Net Cash Used for Capital and Related Financing Activities	(276,113)	-	(276,113)
Cash Flows from Investing Activities			
Investment income	2,727,682	190	2,727,872
Interest received on leases	55,467	2,448	57,915
Net Cash Provided by Investing Activities	2,783,149	2,638	2,785,787
Net Change in Cash and Cash Equivalents	29,348,604	(1,051,050)	28,297,554
Cash and Cash Equivalents at Beginning of Year	87,361,507	6,300,871	93,662,378
Cash and Cash Equivalents at End of Year	$ 116,710,111	$ 5,249,821	$ 121,959,932

Reconciliation to the Statement of Net Position			
Cash and Cash Equivalents	$ 110,077,350	$ 5,249,821	$ 115,327,171
Restricted Cash, Cash Equivalents, and Investments with Trustee	6,632,761	-	6,632,761
Total cash and cash equivalents	$ 116,710,111	$ 5,249,821	$ 121,959,932

Reconciliation of Operating Loss to Net Cash used for operating activities	Passenger	Freight	Total
Operating Loss	$ (66,631,210)	$ (2,684,522)	$ (69,315,732)
Adjustments to reconcile operating loss to net cash used for operating activities			
Depreciation and amortization	24,224,384	31,019	24,255,403
Changes in operating assets, liabilities, deferred inflows of resources, and deferred outflows of resources			
(Increase) decrease in prepaid expenses	(650,654)	(5,790)	(656,444)
(Increase) decrease in lease receivables and related deferred inflow of resources	(52,160)	(2,291)	(54,451)
(Increase) decrease in accounts receivable	-	54,732	54,732
Increase (decrease) in accounts payable and other accrued liabilities	4,472,533	1,215,771	5,688,304
Increase (decrease) in compensated absences	228,206	13,151	241,357
Increase (decrease) in total other post-employment benefits liability	348,310	-	348,310
Increase (decrease) in net pension liability and related deferred outflow/inflow of resources	(529,627)	-	(529,627)
Net cash used by operating activities	$ (38,590,218)	$ (1,377,930)	$ (39,968,148)

Schedule of Noncash Investing, Capital, and Financing Activities	Passenger	Freight	Total
Capital asset acquisitions included in accounts payable and retainage payable	$ 4,756,798	$ -	$ 4,756,798
Right-to-use assets acquired through lease and subscription liabilities	1,789,742	-	1,789,742
Unrealized gain (loss) on investments	(174,963)	-	(174,963)

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Sonoma-Marin Area Rail Transit District (District) was formed in January 2003 by provisions of the Sonoma-Marin Area Rail Transit District Act, as successor to the Sonoma-Marin Area Rail Transit Commission and the Northwestern Pacific Railroad Authority in the California Counties of Sonoma and Marin. Its purpose, as defined by the State, is to provide for a unified, comprehensive institutional structure for the ownership and governance of a passenger rail system within the Counties of Sonoma and Marin that shall operate in concert with existing freight service that operates upon the same rail line and serves the Counties of Humboldt, Marin, Mendocino, Napa, and Sonoma. The District also owns and is constructing additional portions of a multiuse non-motorized pathway within its right-of-way. 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. The District has no component units.

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 any one of the following criteria is met: (1) debt issued is backed solely by fees and charges, (2) laws or regulations require that the cost of providing services, including capital costs such as depreciation or debt service, be recovered through fees or charges, or (3) the pricing policies of the activity establish fees and charges designed to recover its costs. The District reports two major enterprise funds: the Passenger fund, which accounts for passenger rail and pathway activities, and the Freight fund, which accounts for freight rail operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. In accordance with GASB Statement No. 103, nonoperating revenues and expenses are limited to (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing activities, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. All other revenues and expenses are reported as operating. Subsidies are (a) resources received from another party or fund for which the District does not provide goods and services to the other party or fund and that directly or indirectly keep the District's current or future fees and charges lower than they would be otherwise, (b) resources provided to another party or fund for which the other party or fund does not provide goods and services to the District and that are recoverable through the District's current or future pricing policies, and (c) all other transfers. Subsidies not restricted by the provider to the acquisition, construction, or improvement of capital assets are reported as noncapital subsidies; these include the District's sales tax and state and federal operating assistance. The District's operating revenues consist primarily of passenger fares, freight movement fees, lease and rent revenue, and other charges for services. Operating expenses include the costs of providing passenger rail, pathway, and freight services; administrative costs; and depreciation and amortization of capital assets. Capital grants and contributions are reported as other nonoperating revenues. Unusual or infrequent items, if any, are reported separately after other 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 in 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 noncapital subsidies. 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 Treasury 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 by bond indenture are segregated on the statement of net position. These assets are held by the bond trustee for debt service on the District's Measure Q sales tax revenue bonds and represent amounts accumulated for principal and interest payments due within the next twelve months. Restricted accounts consisting of highly liquid investments with a maturity of three months or less when purchased are classified as cash equivalents.

G. Receivables and Inventory

Receivables consist of amounts owed to the District by other governmental agencies and the public. Accounts receivable from the public include reimbursements from other entities for services provided or for use of District-owned assets. An allowance for doubtful accounts receivable, including amounts due from other governments, is estimated based on the age of outstanding balances, adjusted for management's assessment of the collectibility of specific accounts. Revenues are reported net of the change in the estimate of uncollectible accounts. For the year ended June 30, 2026, capital contributions were reduced by $463,235 for an increase in the estimate of uncollectible grant billings, and lease and rent revenue was increased by $59,090 for a decrease in the allowance for doubtful accounts receivable.

Inventory consists of materials and supplies used in rail operations and maintenance and is valued at cost using the average method.

H. Capital Assets

Capital assets are tangible and intangible assets, which include land, facilities, infrastructure, equipment, vehicles, easements, lease and subscription assets, and construction in progress (CIP). The District capitalizes 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 at estimated historical cost if actual historical cost is not available, except for intangible right-to-use lease and subscription assets, the measurement of which is discussed under Leases and Subscription-Based Information Technology Arrangements below. Betterments and major improvements that significantly increase value, change capacity, or extend useful lives are capitalized. Donated capital assets are reported at their acquisition value at the date of donation.

Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives. The useful lives of revenue and nonrevenue vehicles are based on the Federal Transit Administration's default useful life benchmarks, and the District uses IRS Publication 946 class lives for other assets. Land, CIP, and intangible assets with indefinite useful lives are not depreciated. Lease and subscription assets are amortized over the shorter of the lease or subscription term or the useful life of the underlying asset. Estimated useful lives are as follows: infrastructure, 10–50 years; facilities, 15–30 years; equipment, 6–15 years; revenue vehicles, 30–39 years; nonrevenue vehicles, 8–14 years; and amortizable intangible assets, 5–7 years.

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 (floating holidays and 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 (a) is 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 (employer Medicare taxes and, for Freight employees covered by the Railroad Retirement system, employer Tier I taxes), 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 Statement No. 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 eight-hour days per year
  - Cannot be carried over from year to year
  - One eight-hour day may be paid out in cash
    - Paid out in January of the following 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 and 80 hours for represented staff.
  - 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 ended June 30, 2026 is as follows:

Balance July 1, 2025	Net Change	Balance June 30, 2026	Due in One Year
$ 3,079,660	$ 241,357	$ 3,321,017	$ 2,076,746

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 of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent items at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and 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 pensions and OPEB. These amounts relate to differences between expected and actual experience, changes of assumptions, changes in proportion, and contributions made after the measurement date.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and 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, pensions, 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 consists 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, reduced by the outstanding balances of bonds, lease liabilities, subscription liabilities, and other debt, and by capital-related payables (including retention payable), that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows and deferred inflows of resources 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 under a noncancellable building lease and is a party to a subscription-based information technology arrangement (SBITA). The District recognizes lease and subscription liabilities and intangible right-to-use lease and subscription assets in its financial statements.

At the commencement of a lease or SBITA, the District initially measures the lease or subscription liability at the present value of payments expected to be made during the lease or subscription term. Subsequently, the liability is reduced by the principal portion of payments made. The lease or subscription asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs for leases or capitalizable initial implementation costs for SBITAs. Subsequently, the asset is amortized on a straight-line basis over the shorter of the lease or subscription term or the useful life of the underlying asset.

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 incremental borrowing rate, adjusted for the applicable lease or subscription term, as the discount rate for leases and SBITAs.
- The lease or subscription term includes the noncancellable period of the lease or SBITA, plus any periods covered by options to extend that the District is reasonably certain to exercise. Lease and subscription payments included in the measurement of the liability are composed of fixed payments and the purchase option price that the District is reasonably certain to exercise.

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

Lease and subscription assets are reported with capital assets, and lease and subscription liabilities are reported with long-term debt, as current and noncurrent liabilities, in the statement of net position. As of June 30, 2026, the District reported subscription liabilities of $1,469,531 for a SBITA that commenced in fiscal year 2026.

As Lessor: The District is the lessor under 12 noncancellable leases of land 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 are 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.

P. Implementation of New Accounting Standards

GASB Statement No. 103, *Financial Reporting Model Improvements*. Effective July 1, 2025, the District implemented GASB Statement No. 103, which establishes new requirements for management's discussion and analysis, the classification of operating and nonoperating revenues and expenses, the presentation of noncapital subsidies and unusual or infrequent items, and certain other matters. As a result, lease, rent, and miscellaneous revenues are reported as operating revenues; short-term rent expense is reported with services and supplies; and the District's sales tax and state and federal operating assistance are reported as noncapital subsidies. In the statement of cash flows, cash receipts from leases and rentals are reported as operating activities, and interest received on lease receivables is reported as an investing activity. The implementation is a change in accounting principle that affected classification only and did not change beginning net position. Fiscal year 2025 information presented in management's discussion and analysis has not been restated for this change.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. Effective July 1, 2025, the District implemented GASB Statement No. 104, which requires lease assets, subscription assets, and other intangible assets to be disclosed separately by major class in the capital asset note. The implementation affected disclosures only.

Note 2 - Cash and Investments

Cash and investments are carried at fair value and are categorized as follows on June 30, 2026:

	Available for Operations	Held by Trustee	Total
Sonoma County Treasury Pool	$ 90,228,446	$ 5,216,189	$ 95,444,635
Deposits with financial institutions	25,098,725	1,416,572	26,515,297
Total cash and investments	$ 115,327,171	$ 6,632,761	$ 121,959,932

A. Investments Authorized by the District's Investment Policy

Investments are guided by the District's 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 California Government 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, and (c) return on investment.

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

The Sonoma County Treasury Pool is not registered with the Securities and Exchange Commission and is overseen by the County's Treasury Oversight Committee in accordance with California Government Code Sections 27130 through 27137. The fair value of the District's position in the pool, including amounts held by the trustee, is the same as the value of its pool shares, which is based on the District's pro rata share of the fair value of the pool's portfolio provided by the County Treasurer. The District's position in the pool is not categorized within the fair value hierarchy.

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 held by the trustee for the payment of debt service on the District's Measure Q sales tax revenue bonds and are invested in the Sonoma County Treasury Pool, except for $1,416,572 that the trustee held in cash at June 30, 2026, pending transfer to the pool. The California Government Code requires these funds to be invested in accordance with the District's investment policy, bond indentures, or state statute. The table below identifies the investment types authorized by the California Government Code and the Code's limits on maximum remaining maturity, minimum credit quality, and maximum percentage of portfolio:

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 $100 million)	397 days	A-1	25%
Commercial Paper: Non-pooled Funds ($100 million or more)	397 days	A-1	40%
Commercial Paper: Pooled Funds	397 days	A-1	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 will 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 Sonoma County Treasury Pool. The sensitivity of the fair value of the District's investments to market interest rate fluctuations is measured by the weighted average maturity of the Treasury Pool's portfolio, which was 841 days at June 30, 2026.

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, 2026, $23,085,246 of the District's 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.

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2026, was as follows:

Passenger Fund	Balance July 1, 2025	Additions	Deductions	Balance June 30, 2026
Capital Assets Not Being Depreciated				
Land	$ 44,876,058	$ -	$ -	$ 44,876,058
Intangible assets	25,370	-	-	25,370
Construction in progress	118,233,965	16,666,784	(119,094,954)	15,805,795
Total capital assets not being depreciated	163,135,393	16,666,784	(119,094,954)	60,707,223
Capital Assets Being Depreciated and Amortized				
Infrastructure	383,647,246	79,223,385	-	462,870,631
Facilities	107,368,618	38,535,395	-	145,904,013
Equipment	12,232,522	1,279,207	-	13,511,729
Revenue vehicles	62,353,699	-	-	62,353,699
Non-Revenue vehicles	2,744,532	253,283	(212,807)	2,785,008
Intangible assets	387,672	-	-	387,672
Right-to-use lease assets - building	2,800,330	-	-	2,800,330
Subscription assets	-	1,789,742	-	1,789,742
Total capital assets being depreciated and amortized	571,534,619	121,081,012	(212,807)	692,402,824
Total capital assets	734,670,012	137,747,796	(119,307,761)	753,110,047
Accumulated Depreciation and Amortization				
Infrastructure	(99,253,268)	(16,169,750)	-	(115,423,018)
Facilities	(28,606,051)	(4,293,176)	-	(32,899,227)
Equipment	(5,038,145)	(788,146)	-	(5,826,291)
Revenue vehicles	(15,822,439)	(2,078,456)	-	(17,900,895)
Non-Revenue vehicles	(1,257,584)	(231,417)	212,807	(1,276,194)
Intangible assets	(387,672)	-	-	(387,672)
Right-to-use lease assets - building	(1,221,962)	(305,491)	-	(1,527,453)
Subscription assets	-	(357,948)	-	(357,948)
Total accumulated depreciation and amortization	(151,587,121)	(24,224,384)	212,807	(175,598,698)
Capital assets, net	$ 583,082,891	$ 113,523,412	$ (119,094,954)	$ 577,511,349

Freight Fund	Balance July 1, 2025	Additions	Deductions	Balance June 30, 2026
Capital Assets Not Being Depreciated				
Land	$ 7,292,136	$ -	$ -	$ 7,292,136
Intangible assets - freight rights	4,000,000	-	-	4,000,000
Total capital assets not being depreciated	11,292,136	-	-	11,292,136
Capital Assets Being Depreciated and Amortized				
Infrastructure	38,335,922	-	-	38,335,922
Non-Revenue Vehicles	249,186	-	-	249,186
Total capital assets being depreciated and amortized	38,585,108	-	-	38,585,108
Total capital assets	49,877,244	-	-	49,877,244
Accumulated Depreciation and Amortization				
Infrastructure	(37,232,098)	(30,123)		(37,262,221)
Non-Revenue Vehicles	(246,797)	(896)		(247,693)
Total accumulated depreciation and amortization	(37,478,895)	(31,019)	-	(37,509,914)
Capital assets, net	$ 12,398,349	$ (31,019)	$ -	$ 12,367,330

During the year ended June 30, 2026, completed projects with a cost of $119,094,954 were transferred from construction in progress to infrastructure, facilities, equipment, and nonrevenue vehicles in the Passenger fund. Depreciation and amortization expense was $24,224,384 for the Passenger fund and $31,019 for the Freight fund.

Additions to capital assets being depreciated and amortized include $1,986,058 of assets that did not flow through construction in progress, consisting of $196,316 of directly purchased assets and $1,789,742 of subscription assets acquired through a subscription liability.

Note 4 - Long-Term Debt

A. Composition and Changes

Long-term debt activity for the year ended June 30, 2026, was as follows:

	Original Borrowing	Balance July 1, 2025	Additions	Reductions	June 30, 2026	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	$ 61,965,000	$ -	$15,860,000	$ 46,105,000	$16,105,000
Leases	2,887,551	1,373,982	-	399,998	973,984	430,722
Subscription liabilities	1,789,742	-	1,789,742	320,211	1,469,531	332,624
Total	$127,647,293	$ 63,338,982	$ 1,789,742	$16,580,209	$ 48,548,515	$16,868,346

B. Description of the 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 of Measure Q Sales Tax Revenue Refunding Bonds (Green Bonds), Series 2020A. The bonds bear interest at rates ranging from 0.449% to 2.088% and mature serially through March 1, 2029. The bonds were issued to refund the District's outstanding Measure Q Sales Tax Revenue Bonds, Series 2011A. Because interest on the Series 2020A bonds is not excluded from gross income for federal income tax purposes, federal arbitrage rebate requirements do not apply to the bonds.

The bonds are special obligations of the District payable solely from, and secured by a pledge of, Measure Q sales tax revenues. The District has pledged Measure Q sales tax revenues to repay the bonds through their final maturity on March 1, 2029. Remaining principal and interest on the bonds totaled $47,898,081 at June 30, 2026. Measure Q sales tax revenue recognized in fiscal year 2026 was $49,814,504, and debt service on the bonds was $16,996,844.

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, 2026:

For The Year Ending June 30	Principal	Interest
2027	$ 16,105,000	$ 893,869
2028	16,385,000	614,931
2029	13,615,000	284,281
	$ 46,105,000	$ 1,793,081

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 - Leases and Subscription-Based Information Technology Arrangements

The District has several leasing arrangements, summarized below.

A. Lessee Activities

The District has a lease liability for one building lease. The discount rate used to measure the lease liability was 4.50%. The lease liability was $973,984 as of June 30, 2026, and the right-to-use asset, net of accumulated amortization, was $1,272,877. The District is required to make monthly principal and interest payments of $37,686. Interest expense on the lease was $52,239 and principal payments were $399,998 for the year ended June 30, 2026. The final payment is expected in fiscal year 2029.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2027	$ 430,722	$ 33,544	$ 464,266
2028	463,589	13,393	476,982
2029	79,673	162	79,835
	$ 973,984	$ 47,099	$ 1,021,083

B. Subscription-Based Information Technology Arrangements

The District has entered into one subscription-based information technology arrangement for cloud-based enterprise resource planning and procurement software with a term of five years, which includes two one-year renewal options that the District is reasonably certain to exercise. The discount rate used to measure the subscription liability was 3.80%. The subscription liability was $1,469,531, of which $332,624 is due within one year, as of June 30, 2026, and the subscription asset, net of accumulated amortization, was $1,431,794. Principal and interest requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2027	$ 332,624	$ 51,140	$ 383,764
2028	345,445	38,319	383,764
2029	378,223	24,729	402,952
2030	413,239	9,860	423,099
	$ 1,469,531	$ 124,048	$ 1,593,579

C. Lessor Activities

The District has lease receivables for twelve land and infrastructure leases. Lease receivables were $2,824,239 as of June 30, 2026, and the related deferred inflows of resources were $2,644,866. Lease interest revenue of $57,915 and lease revenue of $247,203 were recognized for the year ended June 30, 2026. The 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, other than Freight employees covered by the federal Railroad Retirement system, 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.

Freight employees are covered under the federal Railroad Retirement Act, administered by the U.S. Railroad Retirement Board. Railroad retirement benefits are financed through Tier I and Tier II payroll taxes paid by the District and its Freight employees under the Railroad Retirement Tax Act. The District's obligation is limited to these payroll taxes, which are recognized as expense when incurred; accordingly, the District does not report a net pension liability for this coverage.

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 their 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. 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 CalPERS.

The Plans' provisions and benefits in effect on June 30, 2026, 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%	1.092%-2.418%	1.000% - 2.500%
Required employee contribution rate	7.00%	7.00%	7.75%
Required employer contribution rate	11.94%	10.19%	7.96%

	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	13.75%
Required employer contribution rate	13.99%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined annually by the actuary and be effective on July 1 following notice of a change in the rate. Funding contributions for the plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2026, employer contributions were $1,581,836 for the miscellaneous plan and $25,473 for the safety plan.

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

As of June 30, 2026, 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	$ 1,956,390	$ 2,932,960	$ 264,721	$ 1,066,367
Safety	11,283	50,203	1,210	11,317
Total	$ 1,967,673	$ 2,983,163	$ 265,931	$ 1,077,684

The District's net pension liability is measured as its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024, rolled forward to the June 30, 2025 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 plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of the June 30, 2024 and 2025 measurement dates was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2024 measurement date	0.063302%	0.000436%
Proportion - June 30, 2025 measurement date	0.049042%	0.000181%
Change in proportion	-0.014260%	-0.000255%

Miscellaneous Plan

For the year ended June 30, 2026, the District recognized pension expense of $1,066,367 for the miscellaneous plan. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to the miscellaneous plan from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to measurement date	$ 1,581,836	$ -
Differences between District contributions and proportionate share of contributions	650,595	-
Net differences between projected and actual earnings on pension plan investments	-	264,721
Differences between expected and actual experience	234,422	-
Change in District's proportion	466,107	-
Total	$ 2,932,960	$ 264,721

At June 30, 2026, the District reported $1,581,836 as deferred outflows of resources related to contributions made after the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. 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,	Miscellaneous Deferred Outflows/(Inflows) of Resources
2027	$ 832,381
2028	319,275
2029	35,802
2030	(101,055)
Total	$ 1,086,403

Safety Plan

For the year ended June 30, 2026, the District recognized pension expense of $11,317 for the safety plan 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	$ 25,473	$ -
Differences between District contributions and proportionate share of contributions	14,770	-
Net differences between projected and actual earnings on pension plan investments	-	1,210
Differences between expected and actual experience	1,071	-
Change in District's proportion	8,889	-
Total	$ 50,203	$ 1,210

At June 30, 2026, the District reported $25,473 as deferred outflows of resources related to contributions made after the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. 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
2027	$ 12,451
2028	8,052
2029	3,481
2030	(464)
Total	$ 23,520

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

	Miscellaneous	Safety
Valuation date	June 30, 2024	June 30, 2024
Measurement date	June 30, 2025	June 30, 2025
Actuarial cost method	Entry age normal	Entry age normal
Discount rate	6.90%	6.90%
Investment rate of return	6.90%	6.90%
Inflation	2.30%	2.30%
Projected salary increase	Varies by entry age and service	Varies by entry age and service
Mortality (1)	Derived using CalPERS' membership data for all funds	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	Contract COLA up to 2.30% (2)	Contract COLA up to 2.30% (2)

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 1997 to 2019. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details, refer to the 2021 experience study report on the CalPERS website.
(2) The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

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, CalPERS took into account 20-year market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates to project compound (geometric) returns over the long term. The expected rate of return is net of investment expenses but not reduced for administrative expenses.

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	Expected Real Return (a)(b)
Public equity	37%	4.56%
Private equity	17%	5.56%
Fixed income	28%	2.53%
Real assets	15%	3.03%
Private debt	8%	4.93%
Strategic leverage	-5%	1.40%
Total	100%	

(a) An expected annual rate of price inflation of 2.30% was used for this period.
(b) Figures are based on the 2024 Asset Liability Management mid-cycle review.

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 (Asset)	Safety Net Pension Liability (Asset)
1% decrease (5.90%)	$ 6,003,032	$ 79,923
Current discount rate (6.90%)	1,956,390	11,283
1% increase (7.90%)	(1,373,954)	(44,867)

Subsequent Changes in Actuarial Assumptions – In November 2025, the CalPERS Board of Administration adopted new economic and demographic actuarial assumptions based on its 2025 experience study, including an increase in the price inflation assumption from 2.30% to 2.50%. The new assumptions will be reflected in the June 30, 2025 actuarial valuations and the June 30, 2026 measurement date. The effect on the District's proportionate share of the net pension liability has not been determined.

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. The plan's fiduciary net position has been determined on the same basis used by the plan, the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable under the plan terms, and investments are reported at fair value.

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

For the fiscal year ended June 30, 2026, 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
$ 2,780,574	$ 1,088,489	$ 4,452,437	$ 365,249

A. General Information about the District's Other Postemployment 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 $110.60 per month to PEMHCA on behalf of each eligible retiree in calendar year 2025, and $121.50 per month in calendar year 2026. Each year, this contribution increases under the PEMHCA "unequal contribution method," whereby the District's contribution for retirees equals 5% of its contribution for active employees multiplied by the number of years the District has participated in PEMHCA, until the contributions are equal. The PEMHCA minimum was $158 per month in 2025 and $162 per month in 2026, and the District's contribution for retirees was 70% and 75% of the minimum, respectively. The District also pays the PEMHCA administrative fee for all retirees participating in PEMHCA.

Employees covered by benefit terms. Membership in the plan consisted of the following at the June 30, 2024 valuation date:

Active employees	154
Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Total	156

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, 2025, and was determined by an actuarial valuation as of June 30, 2024. Standard actuarial update procedures were used to project from the valuation date to the measurement date.

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	7.00 percent for 2025 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 2075 and later years; Medicare ages: 4.50 percent for 2025-2064, 4.25 percent for 2065-2074, and 4.00 percent for 2075 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 for the period June 30, 2022 to June 30, 2024.

Discount rate. For OPEB plans that are not administered through trusts that meet the criteria in paragraph 4 of GASB Statement No. 75, the discount rate is based on 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 was 5.20% at the June 30, 2025 measurement date, based on the Bond Buyer 20-Bond GO Index, and 3.97% at the June 30, 2024 measurement date, based on the Fidelity GO AA 20 Years Municipal Index.

C. Changes in Total OPEB Liability

Changes in the total OPEB liability were as follows:

	Total OPEB Liability
Balance, June 30, 2024 (measurement date)	$ 2,745,250
Service cost	538,342
Interest	130,200
Changes of assumptions and other inputs	(625,141)
Benefit payments	(8,077)
Net change	35,324
Balance, June 30, 2025 (measurement date)	$ 2,780,574

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

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

Discount Rate	Total OPEB Liability
1% decrease (4.20%)	$ 3,275,981
Current discount rate (5.20%)	2,780,574
1% increase (6.20%)	2,378,248

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

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (6.00% decreasing to 3.00%)	$ 2,226,641
Current trend rates (7.00% decreasing to 4.00%)	2,780,574
1% increase (8.00% decreasing to 5.00%)	3,509,688

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

For the year ended June 30, 2026, the District recognized OPEB expense of $365,249 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 16,939	$ -
Differences between expected and actual experience	103,265	2,635,649
Changes of assumptions	968,285	1,816,788
Total	$ 1,088,489	$ 4,452,437

Contributions made after the measurement date of $16,939, reported as deferred outflows of resources related to OPEB, will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2027	$ (298,888)
2028	(298,888)
2029	(292,701)
2030	(277,593)
2031	(295,617)
Thereafter	(1,917,200)
Total	$ (3,380,887)

Note 8 - Commitments and Contingencies

Purchase Commitments

At June 30, 2026, the District had outstanding purchase and contract commitments of $584,921 for the Passenger fund and $59,081 for the Freight fund.

Land Purchase Reimbursement

In fiscal year 2025, the District purchased a parcel of land for approximately $1.31 million for a parking lot at the Petaluma North Station. Under a development agreement and an unsecured contingent promissory note dated October 1, 2024, the developer of an adjacent project agreed to reimburse the District for the purchase price once the developer secured construction financing. The contingency was met in fiscal year 2026, and the District received $1,310,391, which is reported as a capital contribution. The land remains recorded at historical cost in capital assets.

Rail Vehicle Manufacturer

The District's fleet of 18 diesel multiple unit (DMU) rail vehicles was manufactured by Nippon Sharyo, Ltd. of Japan and placed in service in 2017 and 2019. Nippon Sharyo closed its U.S. assembly plant in Rochelle, Illinois, in 2018 and, in fiscal year 2026, completed the dissolution of its remaining U.S. subsidiary, Nippon Sharyo Manufacturing, LLC, which had provided support services to U.S. customers of its rail vehicles. The manufacturer's warranties on the District's vehicles expired before the dissolution. Nippon Sharyo, Ltd. continues to operate in Japan, and the District obtains parts for major vehicle subsystems, including the engines, braking systems, and front-end assemblies, directly from the original equipment manufacturers of those components. Certain of these parts are available only from a single supplier and are subject to long lead times; the District maintains an inventory of critical spare parts to reduce the risk of service disruptions.

The District does not expect the manufacturer's exit from the U.S. market to have a material effect on its financial position or its ability to provide rail service; however, the cost and lead time to obtain certain vehicle-specific parts and engineering support may increase in future years.

Litigation

The District is subject to claims and lawsuits arising in the ordinary course of operations. Owners of property adjacent to the District's railroad right-of-way have filed actions alleging that the District's use of the right-of-way for its pathway overburdens their property rights. These actions have been stayed pending appeal of a related ruling in favor of the District. The amount of potential loss, if any, cannot be reasonably estimated, and the District has requested coverage from its insurance carriers. In the opinion of management, the outcome of other claims and lawsuits is not expected to have a material adverse effect on the District's financial position.

Note 9 - Subsequent Events

Management has evaluated subsequent events through November 13, 2026, the date the financial statements were available to be issued, and identified no events requiring disclosure.

SONOMA-MARIN SMART AREA RAIL TRANSIT





REQUIRED SUPPLEMENTARY INFORMATION

FISCAL YEAR ENDED JUNE 30, 2026

Sonoma-Marin Area Rail Transit District

Schedule of the District's Proportionate Share of the Net Pension Liability – Pension Plan

Last Ten Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
CalPERS (Miscellaneous Plan)										
Proportion of the net pension liability (asset)	0.0490%	0.0633%	0.0599%	0.0472%	-0.0136%	0.0349%	0.0281%	0.0231%	0.0238%	0.0214%
Proportionate share of the net pension liability (asset)	$ 1,956,390	$ 3,061,646	$ 2,995,908	$ 2,207,036	$ (257,780)	$ 1,473,514	$ 1,126,646	$ 870,893	$ 936,778	$ 742,146
Covered payroll	$ 18,602,828	$ 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
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	10.52%	17.55%	19.57%	17.59%	-2.05%	11.11%	8.72%	7.79%	9.43%	12.33%
Plan fiduciary net position as a percentage of the total pension liability	84%	80%	78%	78%	86%	74%	75%	75%	73%	74%
Measurement Date	June 30, 2025	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
CalPERS (Safety Plan)										
Proportion of the net pension liability (asset)	0.0002%	0.0004%	0.0004%	0.0290%	-0.0051%	0.0349%	0.2813%	0.0000%		
Proportionate share of the net pension liability (asset)	$ 11,283	$ 31,776	$ 32,490	$ 20,004	$ (17,841)	$ 10,982	$ 4,177	$ 709		
Covered payroll	$ 229,559	$ 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	4.92%	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	81%	77%	75%	76%	86%	74%	75%	75%		
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018		

Note :

1 Changes of assumptions: None for the June 30, 2025 measurement date (discount rate 6.90%).

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

Sonoma-Marin Area Rail Transit District
Schedule of Contributions – Pension Plan
Last Ten Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
CalPERS - Miscellaneous Plan										
Contractually required contribution	$ 1,581,836	$ 1,495,908	$ 1,380,428	$ 1,143,753	$ 1,085,805	$ 1,016,119	$ 976,474	$ 910,518	$ 747,878	$ 699,783
Less contributions in relation to the contractually required contribution	1,581,836	1,495,908	1,380,428	1,143,753	1,085,805	1,016,119	976,474	910,518	747,878	699,783
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 19,717,279	$ 18,602,828	$ 17,450,228	$ 15,310,263	$ 12,545,318	$ 12,561,577	$ 13,265,008	$ 12,916,529	$ 11,175,297	$ 9,930,773
Contributions as a percentage of covered payroll	8.02%	8.04%	7.91%	7.47%	8.66%	8.09%	7.36%	7.05%	6.69%	7.05%
CalPERS - Safety Plan										
Contractually required contribution	$ 25,473	$ 31,587	$ 23,507	$ 16,591	$ 16,551	$ 16,454	$ 27,589	$ 23,680		
Less contributions in relation to the contractually required contribution	25,473	31,587	23,507	16,591	16,551	16,454	27,589	23,680		
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Covered payroll	$ 182,083	$ 229,559	$ 174,040	$ 129,822	$ 130,891	$ 122,516	$ 211,670	$ 195,041		
Contributions as a percentage of covered payroll	13.99%	13.76%	13.51%	12.78%	12.64%	13.43%	13.03%	12.14%		

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

Last Ten Fiscal Years

Fiscal year	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability									
Service cost	$ 538,342	$ 526,355	$ 409,238	$ 726,098	$ 794,213	$ 638,813	$ 444,687	$ 438,273	$ 478,730
Interest	130,200	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	(625,141)	(7,735)	(79,112)	(230,572)	760,464	682,576	308,419	(26,755)	(241,085)
Benefit payments	(8,077)	(5,549)	(8,057)	(3,672)	(10,671)	(4,806)	(6,257)	(2,891)	(3,801)
Net change in total OPEB liability	35,324	92,560	419,430	(1,300,424)	(953,737)	1,412,745	1,079,380	463,121	270,626
Total OPEB Liability - Beginning	2,745,250	2,652,690	2,233,260	3,533,684	4,487,421	3,074,676	1,995,296	1,532,175	1,261,549
Total OPEB Liability - Ending	$ 2,780,574	$ 2,745,250	$ 2,652,690	$ 2,233,260	$ 3,533,684	$ 4,487,421	$ 3,074,676	$ 1,995,296	$ 1,532,175
Covered-employee Payroll	$ 18,832,387	$ 17,624,269	$ 15,440,085	$ 14,074,763	$ 12,684,093	$ 13,476,678	$ 18,840,794	$ 11,175,297	$ 9,930,773
Total OPEB Liability as a Percentage of Covered-employee Payroll	15%	16%	17%	16%	28%	33%	16%	18%	15%
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

[*] 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.

1. **Pension Plans**

Changes of benefit terms: None for the June 30, 2025 measurement date. There were no changes to benefit terms that applied to all members of the CalPERS public agency pool at the prior measurement dates presented.

Changes of assumptions: None for the June 30, 2025 measurement date; the discount rate remained 6.90%. At prior measurement dates presented: June 30, 2017, the discount rate was reduced from 7.65% to 7.15%; June 30, 2018, the inflation rate was reduced from 2.75% to 2.50% and demographic assumptions were updated based on the December 2017 CalPERS experience study; and June 30, 2022, the discount rate was reduced from 7.15% to 6.90%, the inflation rate was reduced from 2.50% to 2.30%, and demographic assumptions were updated based on the 2021 CalPERS experience study. There were no changes of assumptions at the other measurement dates presented.

The Safety plan became applicable to the District beginning in fiscal year 2019. The schedules are intended to present information for 10 years; additional years will be presented as they become available.

2. **Other Postemployment Benefits (OPEB**)

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

Changes of benefit terms: None for the June 30, 2025 measurement date. At the June 30, 2021 measurement date, changes of benefit terms decreased the total OPEB liability by $1,316,588. There were no changes of benefit terms at the other measurement dates presented.

Changes of assumptions: The discount rate changed from 3.97% at the June 30, 2024 measurement date, based on the Fidelity GO AA 20 Years Municipal Index, to 5.20% at the June 30, 2025 measurement date, based on the Bond Buyer 20-Bond GO Index. At prior measurement dates, changes of assumptions primarily reflect changes in the discount rate, based on the Fidelity GO AA 20 Years Municipal Index: 2.92% at June 30, 2016; 3.56% at June 30, 2017; 3.62% at June 30, 2018; 3.13% at June 30, 2019; 2.45% at June 30, 2020; 1.92% at June 30, 2021; 3.69% at June 30, 2022; and 3.86% at June 30, 2023. At the June 30, 2022 measurement date, the inflation rate was also reduced from 2.75% to 2.50%, and health care cost trend rates were updated to 6.50% for 2022, grading down to 4.00% for 2070 and later years.

The schedule is intended to present information for 10 years. Fiscal year 2018 was the first year of implementation of GASB Statement No. 75; additional years will be presented as they become available.

SONOMA-MARIN SMART AREA RAIL TRANSIT



STATISTICAL SECTION

FISCAL YEAR ENDED JUNE 30, 2026

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 Expense by Category

Revenue Capacity
These schedules contain information to help the reader assess the District's significant revenue sources, including capital grants and contributions and the District's most significant ongoing revenue source, 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.

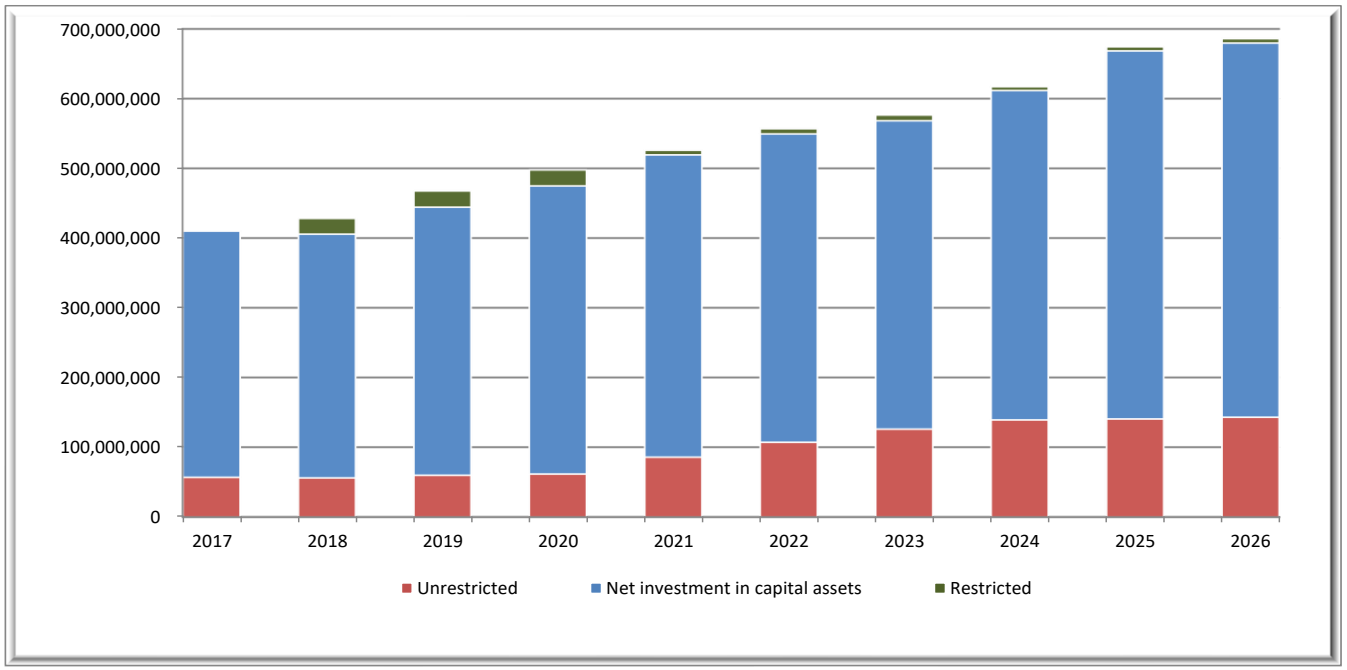
- Table 10- Demographic and Economic Statistics
- Table 11- Major Employers

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.

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



	2017	2018	2019	2020	2021
Net investment in capital assets	$353,088,871	$349,608,580	$384,506,952	$413,213,191	$433,487,686
Restricted	0	22,575,206	23,255,790	22,946,005	6,662,863
Unrestricted	56,892,973	55,996,479	59,801,398	61,548,911	85,779,768
Total net position	$409,981,844	$428,180,265	$467,564,140	$497,708,107	$525,930,317

	2022	2023	2024	2025	2026
Net investment in capital assets	$442,201,252	$442,223,308	$472,382,722	$527,827,964	$536,573,366
Restricted	7,440,671	8,244,507	5,509,878	5,909,310	6,331,323
Unrestricted	107,092,897	125,981,765	139,159,255	140,559,640	143,047,935
Total net position	$556,734,820	$576,449,580	$617,051,855	$674,296,914	$685,952,624

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

	2017	2018	2019	2020	2021
Operating revenues:					
Charges for services	$ 588,402	$ 4,025,111	$ 5,036,875	$ 3,965,115	$ 1,271,706
Lease, rent and miscellaneous revenues (1)	-	-	-	-	-
Total operating revenues	588,402	4,025,111	5,036,875	3,965,115	1,271,706
Operating expenses:					
Salaries and employee benefits	12,610,874	16,950,114	18,453,125	19,295,606	18,354,310
Services and supplies	6,717,902	8,080,825	10,690,334	11,074,071	8,707,194
Depreciation and amortization	4,716,779	17,800,126	19,033,577	22,150,111	22,697,348
Miscellaneous expense	212	672,332	203,883	100,000	416
Total operating expenses	24,045,767	43,503,397	48,380,919	52,619,788	49,759,268
Operating income (loss)	(23,457,365)	(39,478,286)	(43,344,044)	(48,654,673)	(48,487,562)
Noncapital subsidies:					
Sales and use taxes	36,061,895	37,135,476	41,241,140	38,978,630	44,002,410
Federal, state, and other operating assistance	-	3,701,366	5,000,756	15,574,795	16,301,842
Total noncapital subsidies	36,061,895	40,836,842	46,241,896	54,553,425	60,304,252
Operating income (loss) and noncapital subsidies	12,604,530	1,358,556	2,897,852	5,898,752	11,816,690
Other nonoperating revenues (expenses):					
Investment earnings (loss)	366,748	724,313	1,974,246	338,227	628,728
Interest income	-	-	-	-	-
Miscellaneous revenues	438,639	2,236,508	4,174,454	1,438,087	4,588,714
Capital expense passed through to other agencies	(62,636)	(3,778,891)	(770,156)	(918,506)	(3,673,565)
Gain (Loss) on sale of asset	-	-	-	-	-
Rent Income	-	-	-	-	-
Rent expense	(781,084)	(796,640)	(646,236)	(550,406)	(510,370)
Loss on impairment of assets	-	-	-	-	-
Interest expense	(1,164,558)	(5,819,778)	(5,591,608)	(5,273,801)	(3,374,308)
Capital contributions	12,403,890	24,941,459	37,345,323	29,211,620	18,746,419
Total other nonoperating revenues (expenses)	11,200,999	17,506,971	36,486,023	24,245,221	16,405,618
Change in net position before restatement	$ 23,805,529	$ 18,865,527	$ 39,383,875	$ 30,143,973	$ 28,222,308
Restatement FY17	-	(666,637)	-	-	-
Special Item FY22	-	-	-	-	-
Change in net position, Restated	$ 23,805,529	$ 18,198,890	$ 39,383,875	$ 30,143,973	$ 28,222,308

Source: SMART annual financial statements.

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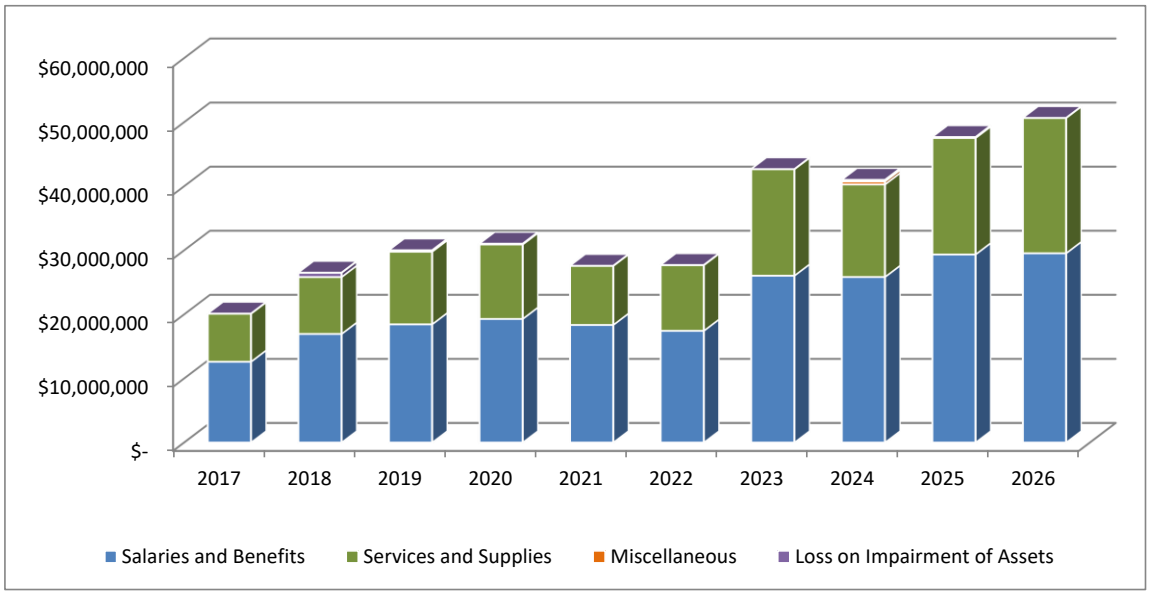
(1) FY2026 is classified under GASB Statement No. 103 (operating revenues, noncapital subsidies, and other nonoperating revenues and expenses, including capital contributions, are distinguished); in accordance with GASB Statement No. 100, prior years are presented as originally reported and have not been restated. Beginning in FY2026, changes in the estimate of uncollectible accounts are reported as adjustments of the related revenues rather than as miscellaneous expense.

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

	2022	2023	2024	2025	2026
Operating revenues:					
Charges for services	$ 2,727,553	$ 3,517,277	$ 3,843,077	$ 3,755,670	$ 4,212,275
Lease, rent and miscellaneous revenues (1)	-	-	-	-	1,381,130
Total operating revenues	2,727,553	3,517,277	3,843,077	3,755,670	5,593,405
Operating expenses:					
Salaries and employee benefits	17,437,640	26,041,905	25,837,387	29,353,269	29,544,910
Services and supplies	10,144,193	16,544,637	14,317,024	18,075,067	21,108,824
Depreciation and amortization	20,877,284	19,377,343	20,471,811	17,966,536	24,255,403
Miscellaneous expense	7,412	-	463,237	130,909	-
Total operating expenses	48,466,529	61,963,885	61,089,459	65,525,781	74,909,137
Operating income (loss)	(45,738,976)	(58,446,608)	(57,246,382)	(61,770,111)	(69,315,732)
Noncapital subsidies:					
Sales and use taxes	49,074,830	49,649,375	48,837,349	48,804,068	49,814,504
Federal, state, and other operating assistance	17,184,007	24,663,720	13,267,742	12,681,819	13,264,806
Total noncapital subsidies	66,258,837	74,313,095	62,105,091	61,485,887	63,079,310
Operating income (loss) and noncapital subsidies	20,519,861	15,866,487	4,858,709	(284,224)	(6,236,422)
Other nonoperating revenues (expenses):					
Investment earnings (loss)	(2,023,805)	839,528	5,181,447	4,348,272	2,847,947
Interest income	10,461	41,137	40,586	41,290	57,915
Miscellaneous revenues	46,229	744,433	537,626	881,230	-
Capital expense passed through to other agencies	(27,758)	-	-	-	-
Gain (Loss) on sale of asset	-	-	(5,036)	24,417	4,911
Rent Income	-	-	-	740,413	-
Rent expense	(103,576)	(72,732)	(128,409)	(108,669)	-
Loss on impairment of assets	-	-	(237,008)	-	-
Interest expense	(1,653,081)	(1,746,162)	(1,514,624)	(1,331,564)	(1,171,575)
Capital contributions	2,743,571	4,042,069	31,868,985	52,933,894	16,152,934
Total other nonoperating revenues (expenses)	(1,007,959)	3,848,273	35,743,567	57,529,283	17,892,132
Change in net position before restatement	$ 19,511,902	$ 19,714,760	$ 40,602,276	$ 57,245,059	$ 11,655,710
Restatement FY17	-	-	-	-	-
Special Item FY22	11,292,136	-	-	-	-
Change in net position, Restated	$ 30,804,038	$ 19,714,760	$ 40,602,276	$ 57,245,059	$ 11,655,710

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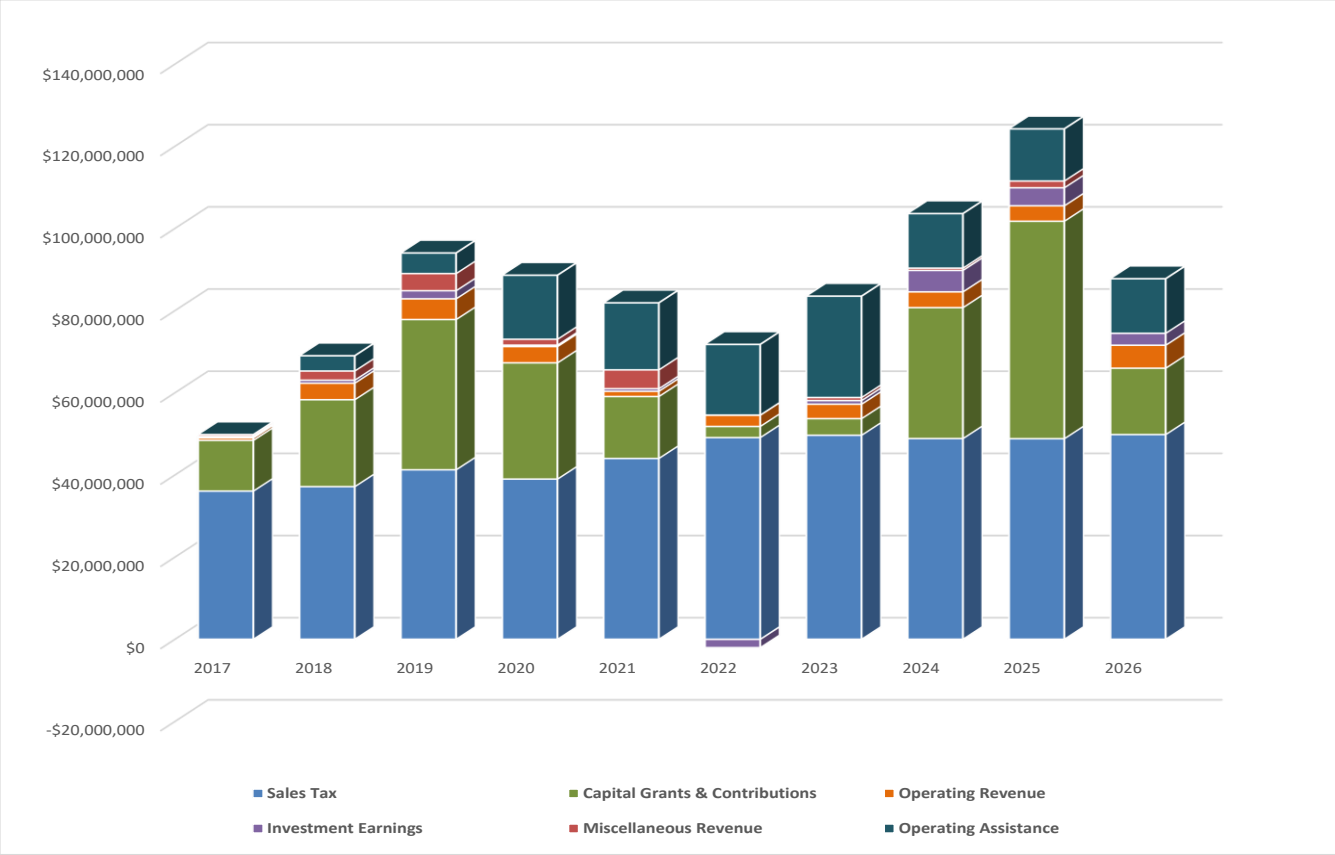
Table 3
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NON-CAPITAL EXPENSE BY CATEGORY
Last Ten Fiscal Years



Fiscal Year Ended June 30	Salaries and Benefits	Services and Supplies	Miscellaneous	Loss on Impairment of Assets	Total
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
2026	29,544,910	21,108,824	-	-	50,653,734

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

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



Fiscal Year	Sales Tax	Capital Grants & Contributions	Operating Revenue	Operating Assistance	Investment Earnings	Miscellaneous Revenue	Total
2017	$ 36,061,895	$ 12,341,254	$ 588,402	$ -	$ 366,748	$ 438,640	$ 49,796,939
2018	37,135,476	21,162,568	4,025,111	3,701,366	724,313	2,236,508	68,985,342
2019	41,241,140	36,575,167	5,036,875	5,000,756	1,974,246	4,174,454	94,002,638
2020	38,978,630	28,293,114	3,965,115	15,574,795	338,227	1,438,087	88,587,968
2021	44,002,410	15,072,854	1,271,706	16,301,842	628,728	4,588,714	81,866,254
2022	49,074,830	2,715,813	2,727,553	17,184,007	(2,013,344)	46,229	69,735,088
2023	49,649,375	4,042,069	3,517,277	24,663,720	880,665	744,433	83,497,539
2024	48,837,349	31,868,984	3,843,077	13,267,742	5,222,033	553,592	103,592,777
2025	48,804,068	52,933,894	3,755,670	12,681,819	4,389,562	1,646,060	124,211,073
2026	49,814,504	16,152,934	5,593,405	13,264,806	2,905,862	4,911	87,736,422

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

FY2026 is classified under GASB Statement No. 103: Operating Revenue = operating revenues (including lease, rent, and miscellaneous revenues); Sales Tax and Operating Assistance = noncapital subsidies; Capital Grants & Contributions, Investment Earnings, and Miscellaneous Revenue = other nonoperating revenues. Prior years are as originally reported.

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)
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
2026	0.25%	49,814,504	6,799,080	11,783,527	18,582,607

Source: 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

Marin County					
Fiscal Year	State	City	County	SMART	Total
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 1.00%	0.75%	0.25%	8.25% to 9.25%
2022	7.25%	0 to 1.00%	0.50%	0.25%	8.00% to 9.00%
2023	7.25%	0 to 1.00%	0.75%	0.25%	8.25% to 9.25%
2024	7.25%	0 to 1.00%	0.75%	0.25%	8.25% to 9.25%
2025	7.25%	0 to 1.00%	0.75%	0.25%	8.25% to 9.25%
2026	7.25%	0 to 1.00%	0.75%	0.25%	8.25% to 9.25%

Sonoma County					
Fiscal Year	State	City	County	SMART	Total
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%	0.75%	0.25%	8.25% to 9.25%
2020	7.25%	0 to 1.00%	0.75%	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 to 1.00%	1.00%	0.25%	8.50% to 9.50%
2024	7.25%	0 to 1.00%	1.00%	0.25%	8.50% to 9.50%
2025	7.25%	0 to 1.00%	1.75%	0.25%	9.25% to 10.25%
2026	7.25%	0 to 1.25%	1.75%	0.25%	9.25% to 10.50%

* Rates in effect at June 30. County rates are countywide district taxes other than SMART's 0.25% tax. The lower end of each total range applies in unincorporated areas and in cities without a city district tax.

Source: www.cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates.htm

Table 7
Sonoma-Marin Area Rail Transit District
Principal Revenue Payers
Calendar Years 2025 and 2016

(in thousands of dollars)
Adjusted for Economic Data

	Calendar Year 2025	
Principal Revenue Payers: Sales Tax Generators	**Taxable Sales**	**Percentage**
Apparel Stores	$ 825,340	4%
General Merchandise	$ 2,731,282	14%
Food Stores	$ 716,565	4%
Eating and Drinking Places	$ 2,124,387	11%
Building Materials	$ 2,231,481	11%
Auto Dealers and Supplies	$ 2,827,870	14%
Service Stations	$ 1,171,783	6%
Other Retail Stores	$ 2,811,665	14%
All Other Outlets	$ 4,420,425	22%
Total	$ 19,860,798	100%

	Calendar Year 2016	
Principal Revenue Payers: Sales Tax Generators	**Taxable Sales**	**Percentage**
Apparel Stores	$ 624,635	4%
General Merchandise	$ 1,348,663	9%
Food Stores	$ 618,692	4%
Eating and Drinking Places	$ 1,538,093	11%
Building Materials	$ 1,556,781	11%
Auto Dealers and Supplies	$ 2,303,563	16%
Service Stations	$ 871,866	6%
Other Retail Stores	$ 2,396,995	17%
All Other Outlets	$ 3,224,063	22%
Total	$ 14,483,351	100%

Note: SMART changed its sales tax data provider from MuniServices to The HdL Companies. HdL provides this information on a calendar-year basis only. Accordingly, this table presents calendar years 2025 and 2016 rather than fiscal years and replaces the fiscal-year presentation used in prior reports.

Note: Due to confidentiality restrictions, the names of the ten largest revenue payers are not available. The categories presented provide alternative information regarding the sources of the District's revenue.

Sources: State Board of Equalization, California Department of Tax and Fee Administration, State Controller's Office, The HdL Companies.

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

LAST TEN YEARS

Fiscal Year Ending	Interest	Principal	Total	Sales Tax Revenue Actual	Coverage Ratio
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
6/30/2026	1,136,844	15,860,000	16,996,844	49,814,504	2.93

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

Fiscal Year	Sales Tax Revenue Bonds (1)	Leases (2)	Subscription Liabilities (2)	Total Outstanding Debt	Personal Income	Population	Ratio of Debt to Personal Income	Total Debt Per Capita
2017	175,819,899	-	-	175,819,899	60,313,401,000	763,985	0.29%	$ 230
2018	167,528,327	-	-	167,528,327	64,054,228,000	759,367	0.26%	$ 221
2019	157,163,502	-	-	157,163,502	68,283,052,000	753,708	0.23%	$ 209
2020	145,846,953	-	-	145,846,953	73,473,272,000	749,842	0.20%	$ 195
2021	119,605,000	-	-	119,605,000	80,959,778,000	743,815	0.15%	$ 161
2022	106,325,000	516,723	-	106,841,723	81,357,491,000	740,541	0.13%	$ 144
2023	92,310,000	2,121,813	-	94,431,813	86,496,731,000	739,072	0.11%	$ 128
2024	77,545,000	1,756,409	-	79,301,409	92,061,194,000	741,775	0.09%	$ 107
2025*	61,965,000	1,373,982	-	63,338,982	97,337,819,000	737,935	0.07%	$ 86
2026*	46,105,000	973,984	1,469,531	48,548,515	102,919,174,000	734,845	0.05%	$ 66

*2025 and 2026 personal income amounts are estimates (Table 10).

(1) Includes unamortized bond premium for fiscal years 2017 through 2020. (2) Lease liabilities are reported beginning in fiscal year 2022 (GASB Statement No. 87); the District's first subscription liability arose in fiscal year 2026.

Sources: Annual Comprehensive Financial Reports (outstanding debt); Table 10 (personal income and population, Marin and Sonoma Counties combined).

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
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%
2026	16,996,844	63,561,588	27%

** SMART's Series 2011A bonds were refunded in October 2020 with the Series 2020A bonds; fiscal year 2021 debt service includes payments on the Series 2011A bonds.

Source: Annual Comprehensive Financial Report

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

Marin County				
		Personal Income	Per Capita	Unemployment
Year	Population	(in thousands)	Personal Income	Rate
2017	263,145	$ 31,324,429	$ 119,039	2.9%
2018	263,698	$ 33,770,671	$ 128,066	2.3%
2019	263,129	$ 35,941,360	$ 136,592	2.3%
2020	261,341	$ 38,007,035	$ 145,431	10.2%
2021	259,254	$ 42,948,119	$ 165,660	4.5%
2022	257,143	$ 43,330,639	$ 168,508	2.7%
2023	255,706	$ 46,196,076	$ 180,661	3.4%
2024	256,400	$ 48,944,339	$ 190,891	3.7%
2025*	253,171	$ 51,978,888	$ 205,311	4.5%
2026*	250,823	$ 55,201,579	$ 220,082	4.0%
Sonoma County				
		Personal Income	Per Capita	Unemployment
Year	Population	(in thousands)	Personal Income	Rate
2017	500,840	$ 28,988,972	$ 57,881	3.4%
2018	495,669	$ 30,283,557	$ 61,096	2.7%
2019	490,579	$ 32,341,692	$ 65,926	2.7%
2020	488,501	$ 35,466,237	$ 72,602	11.4%
2021	484,561	$ 38,011,659	$ 78,446	5.5%
2022	483,398	$ 38,026,852	$ 78,666	3.1%
2023	483,366	$ 40,300,655	$ 83,375	3.7%
2024	485,375	$ 43,116,855	$ 88,832	4.0%
2025*	484,764	$ 45,358,931	$ 93,569	4.6%
2026*	484,022	$ 47,717,595	$ 98,586	4.2%

*2025 & 2026 Personal Income and Per Capita Income estimated based on previous experience

Sources: BEA, CAINC1 (February 2026 release), for 2017–2024 population, personal income and per-capita income; California Department of Finance for 2025–2026 population; California EDD for unemployment. 2026 unemployment rates are June preliminary data, not seasonally adjusted.

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

	Sonoma & Marin County 2026			Sonoma & Marin County 2017		
Employer	Number of Employees	Rank	Percentage of the Total Service Area Employment	Number of Employees	Rank	Percentage of the Total Service Area Employment
Kaiser Permanente	8,785	1	2.4%	4,732	1	1.2%
County - Sonoma	4,243	2	1.2%	3,894	2	1.0%
Biomarin Pharmaceutical Inc	3,040	3	0.8%	1,700	4	0.4%
Santa Rosa Junior College	2,833	4	0.8%	1,644	6	0.4%
Providence Santa Rosa Memorial Hospital	2,333	5	0.7%	1,640	7	0.4%
County - Marin	2,300	6	0.6%	2,305	3	0.6%
Marinhealth Medical Center	1,700	7	0.5%	1,602	8	0.4%
Santa Rosa School District	1,692	8	0.5%	1,657	5	0.4%
Keysight/Agilent Technologies	1,500	9	0.4%	1,275	10	0.3%
State of California Corrections Dept	1,489	10	0.4%	1,600	9	0.4%
Ten Largest Employers	29,915		8.3%	22,049		5.4%
All Other Employers	328,885		91.7%	383,910		94.6%
Total Service Area Employment	358,800		100%	405,959		100%

Source: Sonoma County ACFRs, Marin County ACFRs, City of Santa Rosa ACFRs

Table 12
Sonoma-Marin Area Rail Transit District
Operating Information (Unaudited)

Fiscal Year	Ridership	Fare Revenue	Average Fare	Revenue Vehicle Hours	Revenue Vehicle Miles	Annual Passenger Miles
2018	636,029	$ 3,315,274	$ 5.21	43,959	766,833	16,174,174
2019	716,847	$ 4,094,540	$ 5.71	32,890	923,002	18,371,183
2020	567,103	$ 3,091,660	$ 5.45	28,993	821,415	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	23,190	679,245	7,855,912
2023	640,099	$ 1,800,747	$ 2.81	34,223	977,309	13,922,153
2024	850,270	$ 2,192,253	$ 2.58	36,089	1,013,842	18,401,990
2025	1,123,685	$ 2,312,507	$ 2.06	39,692	1,102,447	23,384,889
2026	1,475,994	$ 2,893,905	$ 1.96	42,750*	1,211,560*	29,742,926*

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

Fiscal Year	Passenger Rail Miles	Stations	Rail Vehicles (1)
2018	43	10	14
2019	43	10	14
2020	45	12	18
2021	45	12	18
2022	45	12	18
2023	45	12	18
2024	45	12	18
2025	48	14	18
2026	48	14	18

* Preliminary data from SMART's draft fiscal year 2026 National Transit Database (NTD) annual report; subject to change.

(1) Rail vehicles available for service at June 30 (National Transit Database vehicles available for maximum service). Passenger rail service began in August 2017 (fiscal year 2018); information is presented for each fiscal year since service began.

Sources: National Transit Database (Federal Transit Administration); SMART fare structure; capital asset information from the District's Annual Comprehensive Financial Reports and letters of transmittal.

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

Division	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
General Manager	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Clerk of the Board/Executive Assistant										1.0
Legal	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	3.0
Finance	6.0	7.0	7.0	7.0	6.0	10.0	12.0	12.0	14.0	16.0
Grants & Legislative Affairs										1.0
Human Resources										3.0
Regulatory Compliance & Civil Rights Manager										1.0
Information Technology Services										4.0
Planning										3.0
Communications & Marketing										4.0
Administration	18.0	18.0	19.0	22.0	18.0	15.0	17.0	19.0	20.0	
Capital Projects	12.0	10.0	11.0	11.0	7.0	7.0	7.0	9.0	9.0	
Engineering & Real Estate										13.0
Operations	77.0	83.0	102.5	99.5	97.5	102.5	107.0	111.0	114.0	
Passenger Operations										131.0
Train Control Systems										1.0
Safety & Security	3.5	4.5	4.5	4.5	5.0	5.0	5.0	5.0	6.0	6.0
Freight	0.0	0.0	0.0	0.0	0.0	1.0	6.0	6.0	6.5	6.5
Total	**121.5**	**127.5**	**149.0**	**149.0**	**137.5**	**144.5**	**158.0**	**166.0**	**174.5**	**194.5**

Note: Beginning in fiscal year 2026, positions are presented by the District's current department structure; prior years are presented by the divisions previously reported.
Source: District records; prior years per the District's ACFRs.