Annual Comprehensive Financial Report

Sonoma ~ Marin Area Rail Transit District
Petaluma, California

For Fiscal Year Ended June 30, 2021

SONOMA-MARIN AREA RAIL
TRANSIT DISTRICT
PETALUMA, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

PREPARED BY THE FINANCE DEPARTMENT

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2021

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2021

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SONOMA~MARIN
SMART
AREA RAIL TRANSIT

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General Manager

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November 4, 2021

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 end June 30, 2021, is hereby issued.

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

SMART's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of SMART for the fiscal year ending June 30, 2021, 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, 2021, are fairly presented in conformity with GAAP.

The report consists of three sections:

- The Introduction section includes this letter of transmittal, SMART's organization chart and officials, a map of the SMART system and certificates of achievement.

- The Financial section includes the report of the independent auditors, the Management's Discussion and Analysis (MD&A), SMART's basic financial statements and the accompanying notes to the financial statements. Required supplementary information other than the MD&A is also included in the financial section.

- The Statistical section includes selected financial and demographic information, on a multi-year basis.

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

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

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT (SMART)

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

SMART passenger rail service began in August of 2017 with two-way passenger train service on 43 miles to 10 stations between Downtown San Rafael in Marin County and Airport Boulevard in Sonoma County. In late 2019, two new stations were completed in Downtown Novato and Larkspur near the regional Ferry to San Francisco. These two stations in Marin County brought rail service to its current total of 45 miles with 12 passenger stations. SMART also manages 24 miles of an ancillary bicycle/pedestrian pathway on its right of way connecting to the SMART's stations where cyclists can find secure parking at the station or on-board the train for their bikes.

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

Freight

SMART owns the railroad from a place called "Brazos Junction" in American Canyon (East of the Napa River) west to the Ignacio Wye (Highway 101 and 37) in Novato south to Corte Madera and then north to the Mendocino-Sonoma County Line.

As required by State Law, S.B. 1029 and S.B. 69, on February 2, 2021, SMART filed a "Verified Notice of Exemption" with the Surface Transportation Board (STB) to exempt from regulation under U.S.C. Section 10902 SMART's acquisition of railroad, right-of-way and a freight rail operating easement from North Coast Railroad Authority and SMART's operation of the line. On February 12, 2021, the Notice of Exemption was approved by the STB. On March 26, at quit claim deed was executed that transferred the line of railroad and right-of-way between the Sonoma – Mendocino County border milepost 89 and Healdsburg at milepost 70.7 and the freight rail operating easement between Healdsburg milepost 68.2 and Brazos Junction at milepost SP 63.4.

On February 22, 2021, the freight operator, NWPCo, petitioned the STB for Discontinuance of Service Exemption (requesting authority to cease being the freight operator). On June 11, 2021, the STB approved NWPCo's petition for discontinuance of service and authorized SMART to assume freight operations and common carrier duties over the rail line which became final on July 11, 2021. Currently, NWPCo. is expected to provide interim service until SMART replaces their operation by either self-performing the operation or contracting with a third-party operator to fulfill the service.

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

SMART's passenger service and pathways currently operate in Marin and Sonoma Counties. These two counties are home to a mix of tourism, recreation, agriculture, and industry. The major population centers of Marin and Sonoma are located along the Highway 101 corridor and the parallel SMART rail line.

SMART's finances have relied on the strength of its voter-approved sales tax revenue which was approved in 2008 and in Fiscal Year 2021 provided more than 44% of SMART's annual revenues. Sales tax revenue is directly linked to local employment rates and median incomes. The district is home to a wealthy taxpayer base. The per capita income in Marin County is $147,735 and Sonoma County is $66,700[1]. In addition, the most recent unemployment data shows Marin County's and Sonoma County's unemployment rate at 4.4% and 5.3% respectfully compared to the State of California at 7.6%. SMART also receives significant funding from the State of California for its transit services ultimately derived from State fuel and sales taxes.

Since the start of SMART service four years ago, there have been over twelve federal disaster declarations in Sonoma County, including three catastrophic wildfires, two floods, extended Public Safety Power Shut-offs from the public power utility company, and, starting in March of 2020, the COVID-19 pandemic. SMART has experienced service disruption in several of these events, including evacuation of SMART's rolling stock and temporary closure of the northernmost stations, along with service reductions due to COVID-19. The true impact of these events, however, has been to the people SMART serves. These events have caused significant loss of housing stock, massive evacuation efforts, and unprecedented disruption in the daily rhythm of people's lives. It remains to be seen what the ultimate impact will be to work and school commute patterns, including the impact of regional relocation of workers from elsewhere in the Bay Area to Sonoma County during the COVID-19 pandemic.

Although COVID-19 has been devasting from a ridership and fare collection perspective, the North Bay area has done considerably better than other parts of California and in particular San Francisco. As was mentioned previously sales and use tax, which is our largest funding source, has recovered much faster than expected in Fiscal Year 2021 and exceeded our forecasts for the year.

FINANCIAL PLANNING

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

In April of 2021, the Board of Director's adopted the first Capital Plan. This plan forecasts revenues and expenditures related to capital expenditures for the period July 1, 2021 – June 30, 2029. In addition, the Metropolitan Transportation Commission (MTC) requires each transit

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1 US Department of Commerce, Bureau of Economic Analysis - www.bea.gov, released Nov 14, 2019

operator receiving federal funds to prepare, adopt, and submit a Short-Range Transit Plan. The plan is required to clearly describe the basis for SMART's capital and operating budgets and provides MTC and the public with information on projects and programs of regional significance.

FINANCIAL INFORMATION

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

Single Audit: As a recipient of federal assistance, SMART is responsible for ensuring that an adequate internal control structure is instituted to ensure compliance with appliable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of SMART's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to evaluate SMART's compliance. SMART's single audit for the fiscal year ended June 30, 2021, found no instances of material weakness in the internal control structures or significant violations of applicable laws and regulations.

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

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

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

AWARDS

The Government Finance Officers Associations (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SMART for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This is the eighth consecutive year that SMART has been awarded this prestigious award.

To receive the Certificate of Achievement for Excellence in Financial Reporting, SMART must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, the contents of which must conform to program standards. This report must also satisfy both GAAP and applicable legal requirements.

The Certificate of Achievement is valid for one year only. It is my belief that the current Annual Comprehensive Financial Report meets the program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

CONCLUSION

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

ACKNOWLEDGEMENTS

Timely preparation of the Annual Comprehensive Financial Report was made possible by the dedicated service of the Finance Department led by Heather McKillop, Chief Financial Officer. 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,

Farhad Mansourian
General Manager

Heather McKillop
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 Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

Sonoma Marin Area Rail Transit District
Fiscal Year 2020-21 Principal Officials

Board of Directors

David Rabbitt – Chair Sonoma County Board of Supervisors	Barbara Pahre – Vice Chair Golden Gate Bridge District
Judy Arnold Marin County Board of Supervisors	Melanie Bagby Sonoma County Mayors and Councilmembers Association
Kate Colin Transportation Authority of Marin	Damon Connolly Marin County Board of Supervisors
Debora Fudge Sonoma County Mayors and Councilmembers Association	Patty Garbarino Golden Gate Bridge District
Susan Gorin Sonoma County Board of Supervisors	Daniel Hillmer Marin County Council of Mayors and Councilmembers
Eric Lucan Transportation Authority of Marin	Chris Rogers Sonoma County Mayors and Councilmembers Association

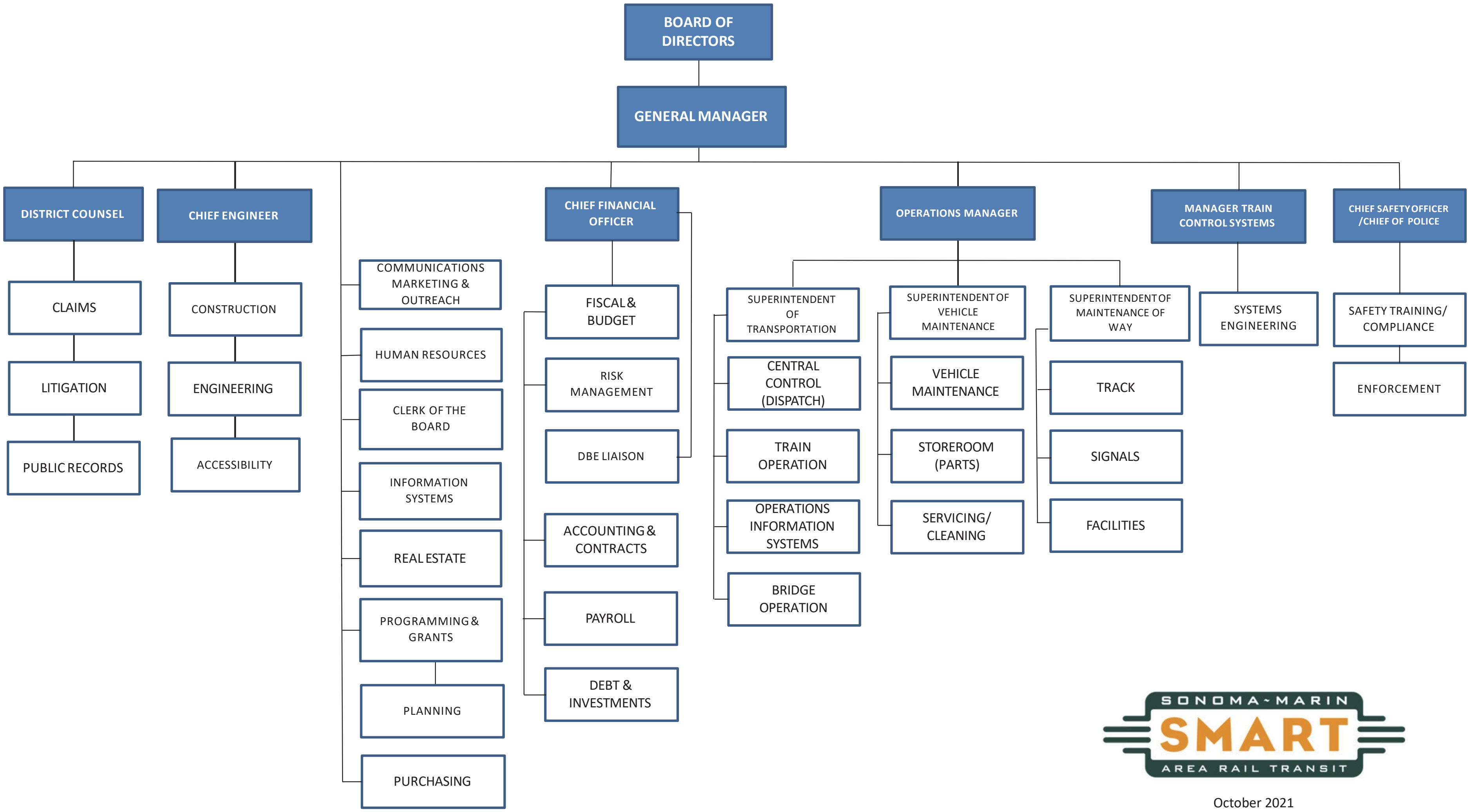
Organizational Structure

The Board appoints a General Manager for the District. In addition, the Chief Financial Officer, General Counsel, and Chief Engineer are appointed by the Board.

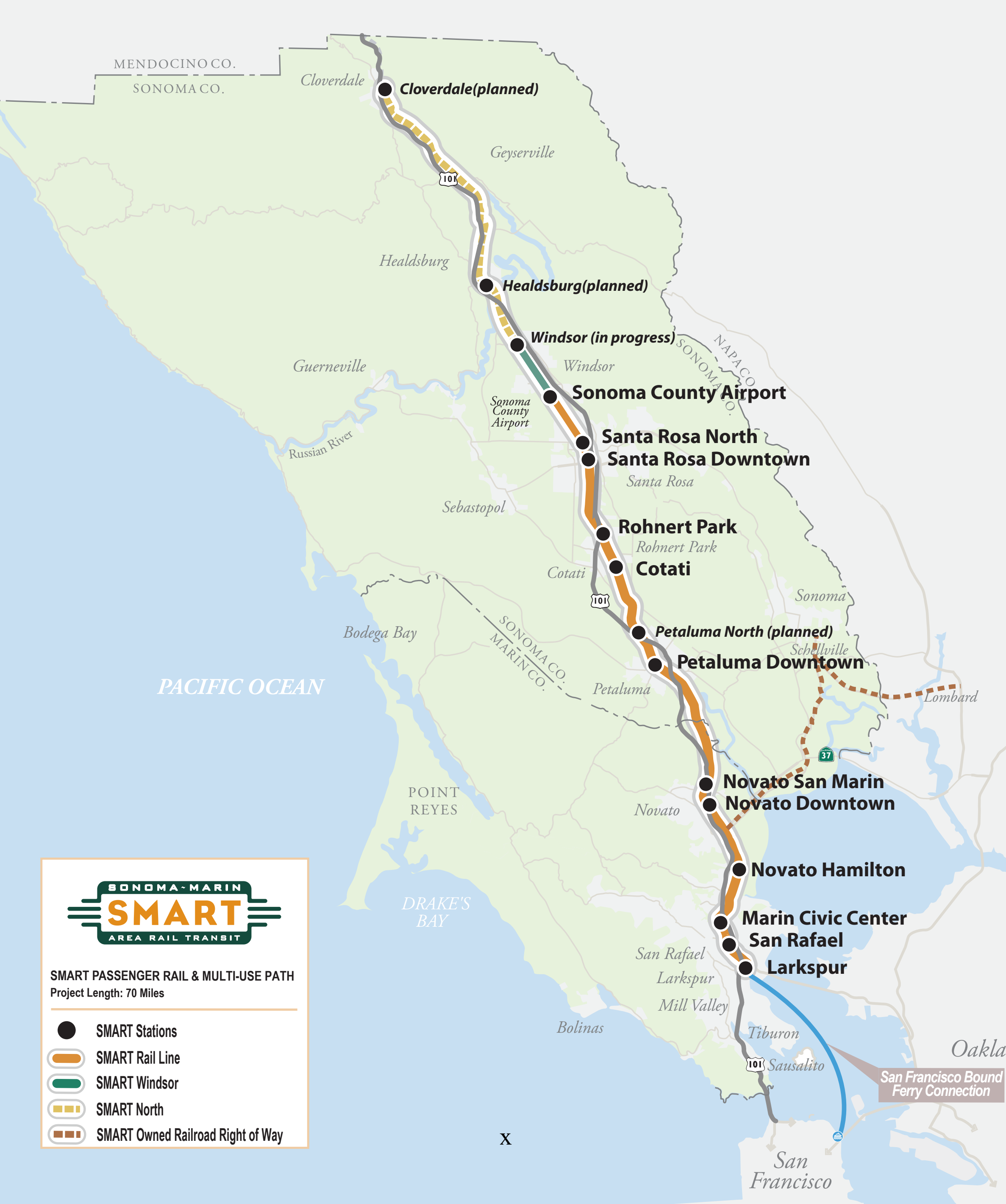
General Manager – Farhad Mansourian	Chief Financial Officer – Heather McKillop
General Counsel – Tom Lyons	Chief Engineer – Bill Gamlen

SONOMA -MARIN AREA RAIL TRANSIT DISTRICT

Organization Chart



October 2021



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


MENDOCINO COUNTY
MP 89
CLOVERDALE
SONOMA-MARIN SMART AREA RAIL TRANSIT
SEPTEMBER 15, 2021
N
MP 68.2
HEALDSBURG
SONOMA COUNTY
WINDSOR
NAPA COUNTY
101
SANTA ROSA
DIXON
80
VALLEJO ROUTE | FREIGHT LINE
VACAVILLE
SMART | COMMUTER FREIGHT LINE
BRAZOS | FREIGHT LINE (SMART OWNED)
ROHNERT PARK
COTATI
SONOMA
SP MP 63.4
FAIRFIELD
PETALUMA
CAPITOL | COMMUTER FREIGHT LINE
SUISUN CITY
SOLANO COUNTY
RIO VISTA
101
80
37
VALLEJO
BENICIA
MARIN COUNTY
NOVATO
MP 25.6
VALLEJO FERRY
GHD

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the Sonoma-Marin Area Rail Transit District (District), California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Maze + Associates

Pleasant Hill, California
November 4, 2021

As management of the Sonoma-Marin Area Rail Transit District (SMART or the District), we offer readers of SMART's financial statements this narrative overview and analysis of the financial activities of SMART for the year ended June 30, 2021. We encourage readers to combine the information presented here with SMART's basic financial statements and the accompanying notes to the basic financial statements.

Financial Highlights

COVID-19 Pandemic

In March 2020, the COVID-19 pandemic hit, and California was the first state to issue "Stay-at-Home" orders as a result of these orders, SMART modified services in March 2020, with weekend service suspended starting March 21st and weekday service reduced first by 4 trips (down to 34) on March 23rd and then by another 18 trips (down to 16) on April 6th, 2020.

Beginning in March of 2021, SMART started to see an increase in ridership as vaccines became more available and people began to venture out for work and leisure activities. On May 24, 2021, SMART added an additional 10 trips per weekday for a total of 26 trips each weekday and added 12 trips on Saturday.

Freight

In Fiscal Year 2021, SMART acquired the railroad, right-of-way and freight operating rights from a place called "Brazos Junction" in American Canyon (East of the Napa River) west to the Ignacio Wye (Highway 101 and 37) in Novato and from there north to the Mendocino-Sonoma County Line.

On February 2, 2021, SMART filed a "Verified Notice of Exemption" with the Surface Transportation Board (STB) to exempt from regulation under U.S.C. Section 10902 SMART's acquisition of railroad, right-of-way and a freight rail operating easement from North Coast Railroad Authority and SMART's operation of the line. On February 12, 2021, the Notice of Exemption was approved by the STB. On March 26, at quit claim deed was executed that transferred the line of railroad and right-of-way between the Sonoma – Mendocino County border milepost 89 and Healdsburg at milepost 70.7 and the freight rail operating easement between Healdsburg milepost 68.2 and Brazos Junction at milepost SP 63.4.

On February 22, 2021, the freight operator, NWPCo, petitioned the STB for Discontinuance of Service Exemption (requesting authority to cease being the freight operator). On June 11, 2021, the STB approved NWPCo's petition for discontinuance of service and authorized SMART to assume freight operations and common carrier duties over the rail line which became final on July 11, 2021. Currently, NWPCo. is expected to provide interim service until SMART replaces their operation by either self-performing the operation or contracting with a third-party operator to fulfill the service.

Financial Statistics

- SMART's financial activity for the year ended June 30, 2021 reflects, on the revenue side, COVID-19 impacts on SMART's revenues, including a $2.4 million reduction in fare revenue. However, sales tax increased $5 million over 2020 due to a strong rebound in both Sonoma and Marin Counties.
- SMART received both federal Coronavirus Aid, Relief, and Economic Security Act (CARES) and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) which provided $6.9 million and $1.8 million respectively for operating support for Fiscal Year 2020-21 allowing SMART to restore some service.
- Operating expenses, net of depreciation, were 12% less in FY 2020-21 due to planned reductions in costs due to the pandemic and significant decreases in ridership during the shelter in place orders.
- Capital assets decreased $7 million (net of depreciation) due to reduced construction activity during the year and older assets.
- Assets of SMART exceeded its liabilities at the close of the year ended June 30, 2021 by $525.9 million (net position). Of this amount, $91 million is unrestricted.
- SMART's net position increased $28.2 million during the year ended June 30, 2021, due mainly to the restructuring of long-term debt.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

The statement of revenues, expenses, and changes in net position presents information showing how SMART's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected rental revenue and earned but unused vacation leave).

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 19-38 of this report.

Analysis of the Financial Statements

The financial statements provide both short-term and long-term information about the District's overall financial condition. This analysis addresses the financial statements of the District as a whole. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. SMART's net position was $525,930,782 on June 30, 2021.

The largest portion of SMART's net position (83%) reflects its investment in capital assets (e.g., land, stations, track and crossings, pathway, bridges and tunnels). SMART uses these capital assets to provide passenger rail services to its customers and a multiuse pathway for the general public; consequently, these assets are not available for future spending.

STATEMENT OF NET POSITION

	2021 Combined *	2020 Transit/ Pathway	2021-2020 Change
Total Current Assets	$ 106,309,602	$ 99,689,099	$ 6,620,503
Total Noncurrent Assets	$ 554,122,776	$ 561,171,310	$ (7,048,534)
Total Assets	$ 660,432,378	$ 660,860,409	$ (428,031)
Total Deferred Outflows of	$ 3,312,099	$ 2,747,500	$ 564,599
Total Current Liabilities	$ 24,959,203	$ 25,304,499	$ (345,296)
Total Noncurrent Liabilities	$ 112,665,099	$ 139,747,844	$ (27,082,745)
Total Liabilities	$ 137,624,302	$ 165,052,343	$ (27,428,041)
Total Deferred Inflows of Resources	$ 189,390	$ 246,990	$ (57,600)
Net Position:			
Net investment in capital assets	$ 434,505,310	$ 398,251,858	$ 36,253,452
Unrestricted	$ 91,425,472	$ 99,456,719	$ (8,031,247)
Net Position End of Year	$ 525,930,782	$ 497,708,577	$ 28,222,205

* Includes both transit/ pathway and freight

SMART's net position at the end of fiscal year 2021 increased by $28,222,205 from the prior fiscal year. This increase is primarily the result of SMART issuing 2020 Measure Q Sales Tax Revenue Refunding Bonds on October 21, 2020 which were used to refund the outstanding Series 2011A bonds. Current assets increased due to the receipt of revenes from the State of California for freight activitess and non-current assets decreased due to construction in progress and accumulated depreciation.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2021

	2021 Combined *	2020	2021-2020 Change
Operating Revenues			
Fare Revenues	$ 706,938	$ 3,090,458	$ (2,383,520)
Other operating revenues	$ 564,668	$ 874,657	$ (309,989)
Total Operating Revenues	$ 1,271,606	$ 3,965,115	$ (2,693,509)
Operating Expenses:			
Public transporation - rail/pathway development:			
Salaries and Employee benefits	$ 19,099,305	$ 20,157,177	$ (1,057,872)
Capitalized employee costs	$ (744,995)	$ (861,571)	$ 116,576
Services and supplies	$ 9,217,567	$ 11,624,479	$ (2,406,912)
Depreciation	$ 22,697,348	$ 22,150,111	$ 547,237
Other charges	$ 416	$ 100,000	$ (99,584)
Total Program Operating Expenses	$ 50,269,641	$ 53,170,196	$ (2,900,555)
Operating Income/(Loss)	$ (48,998,035)	$ (49,205,081)	$ 207,046
Non-Operting Revenues (Less Expenses)			
Sales/Use taxes	$ 44,002,410	$ 38,978,630	$ 5,023,780
State operating assistance	$ 5,140,237	$ 7,516,612	$ (2,376,375)
Federal Operating Assistance	$ 11,161,605	$ 8,058,183	$ 3,103,422
Investment earnings	$ 628,728	$ 338,227	$ 290,501
Miscellaneous revenue	$ (1,190,816)	$ 1,438,087	$ (2,628,903)
Gain (loss) sale of asset	$ 5,779,530	$ -	$ 5,779,530
Capital expenses passed through to other agencies	$ (3,673,565)	$ (918,506)	$ (2,755,059)
Interest expense	$ (3,374,308)	$ (5,273,801)	$ 1,899,493
Total Non-Operating Revenues, Net	$ 58,473,821	$ 50,137,432	$ 8,336,389
Capital Grants	$ 18,746,419	$ 29,211,620	$ (10,465,201)
Change in Net Position	$ 28,222,205	$ 30,143,971	$ (1,921,766)
Net Position			
Beginning of the Year	$ 497,708,577	$ 467,564,606	$ 30,143,971
End of the Year	$ 525,930,782	$ 497,708,577	$ 28,222,205

* Combined includes transit/pathway and freight

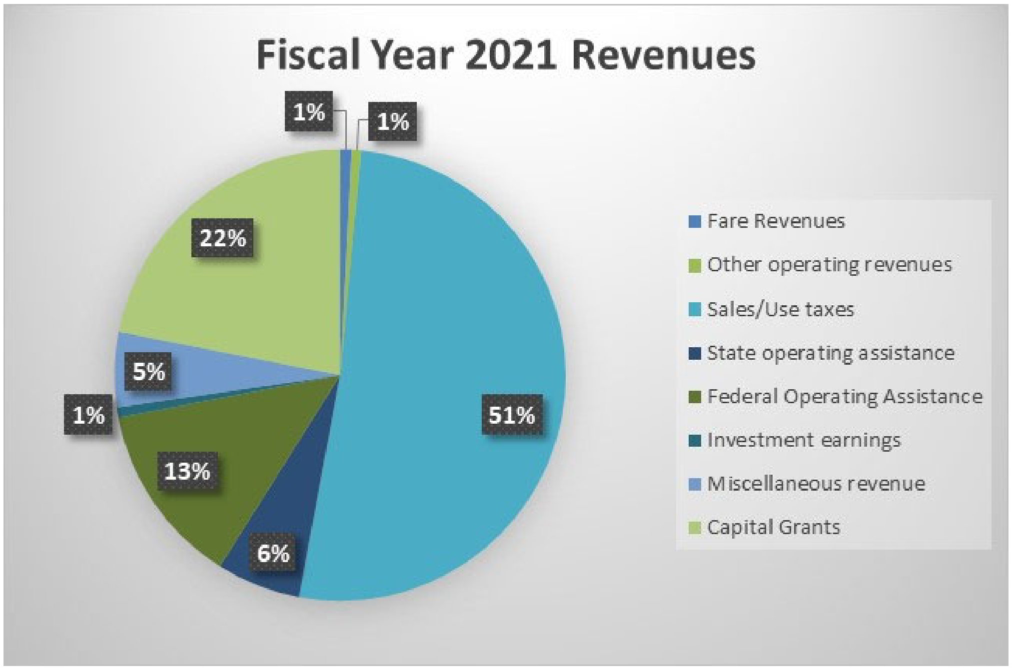
Fiscal Year 2021 Revenues

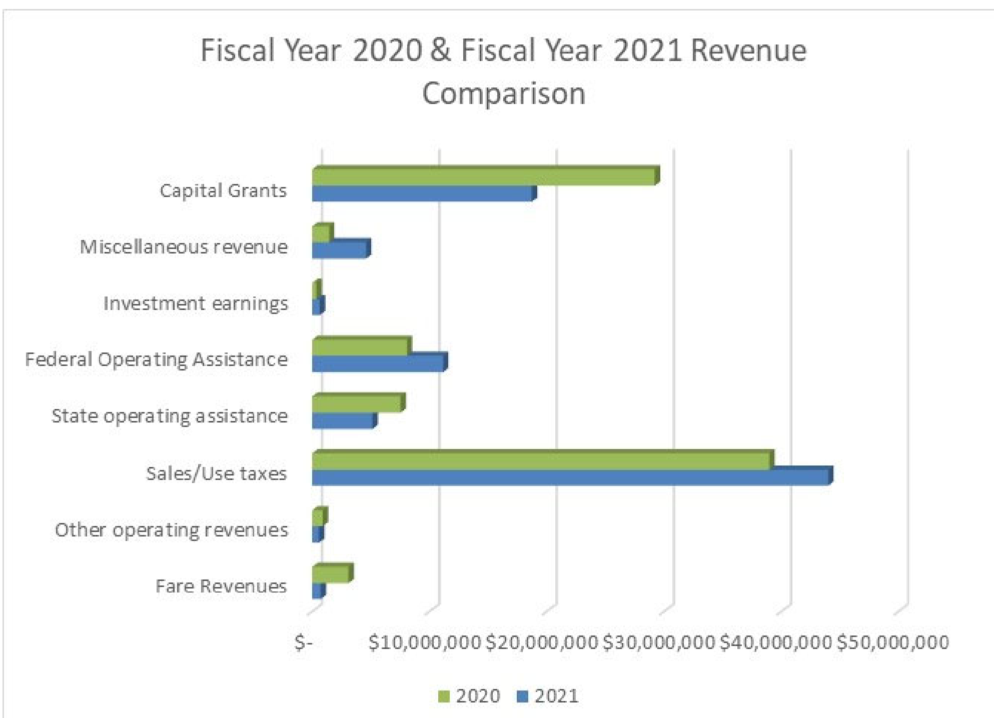
SMART revenues are categorized as either operating or non-operating.

- Operating revenues of $1,271,606 consisting of fare, advertising, parking and other revenues directly generated by operations and ownership of property within the District. As discussed previously, these revenues have been impacted by the COVID-19 Pandemic health orders and were $2.7 million lower than the prior year.
- Non-operating revenues (less expenses) of $58,473,821 are comprised of sales tax revenue to SMART, state and federal operating assistance, and miscellaneous revenue.
  - Sales tax, SMART's single largest ongoing source of revenue, rebounded in FY 2020-21 by 12.9% or $5 million (net of fees) over the previous year.
  - SMART received $6.9 million CARES and $1.8 million in CRRSAA federal operating assistance which is designed to offset revenue losses and support operations through the duration of the COVID-19 impacts.
- Capital grants of $18,746,419 are $10,465,201 lower than the year ended June 30, 2020. The decrease is related the completion of the Larkspur extension, the new Novato Downtown Station, and new multiuse pathways.

REVENUE ANALYSIS

	2021	2020
Fare Revenues	$ 706,938	$ 3,090,458
Other operating revenues	$ 564,668	$ 874,657
Sales/Use taxes	$ 44,002,410	$ 38,978,630
State operating assistance	$ 5,140,237	$ 7,516,612
Federal Operating Assistance	$ 11,161,605	$ 8,058,183
Investment earnings	$ 628,728	$ 338,227
Miscellaneous revenue	$ 4,588,714	$ 1,438,087
Capital Grants	$ 18,746,419	$ 29,211,620
Total	$ 85,539,719	$ 89,506,474


Fiscal Year 2021 Revenues
1%
1%
22%
5%
1%
13%
6%
51%
Fare Revenues
Other operating revenues
Sales/Use taxes
State operating assistance
Federal Operating Assistance
Investment earnings
Miscellaneous revenue
Capital Grants

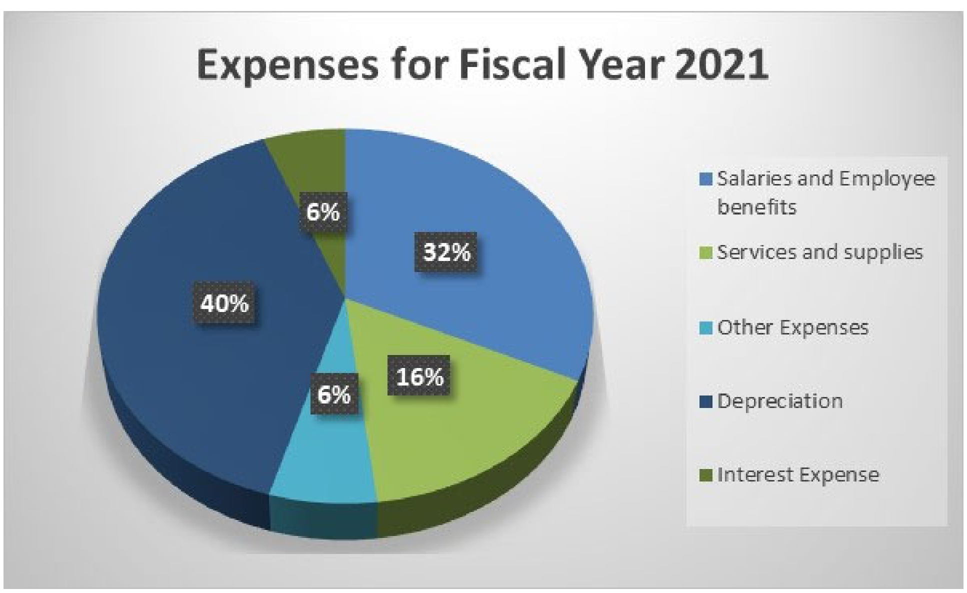

Fiscal Year 2020 & Fiscal Year 2021 Revenue Comparison
Capital Grants
Miscellaneous revenue
Investment earnings
Federal Operating Assistance
State operating assistance
Sales/Use taxes
Other operating revenues
Fare Revenues
$-
$10,000,000
$20,000,000
$30,000,000
$40,000,000
$50,000,000
2020
2021

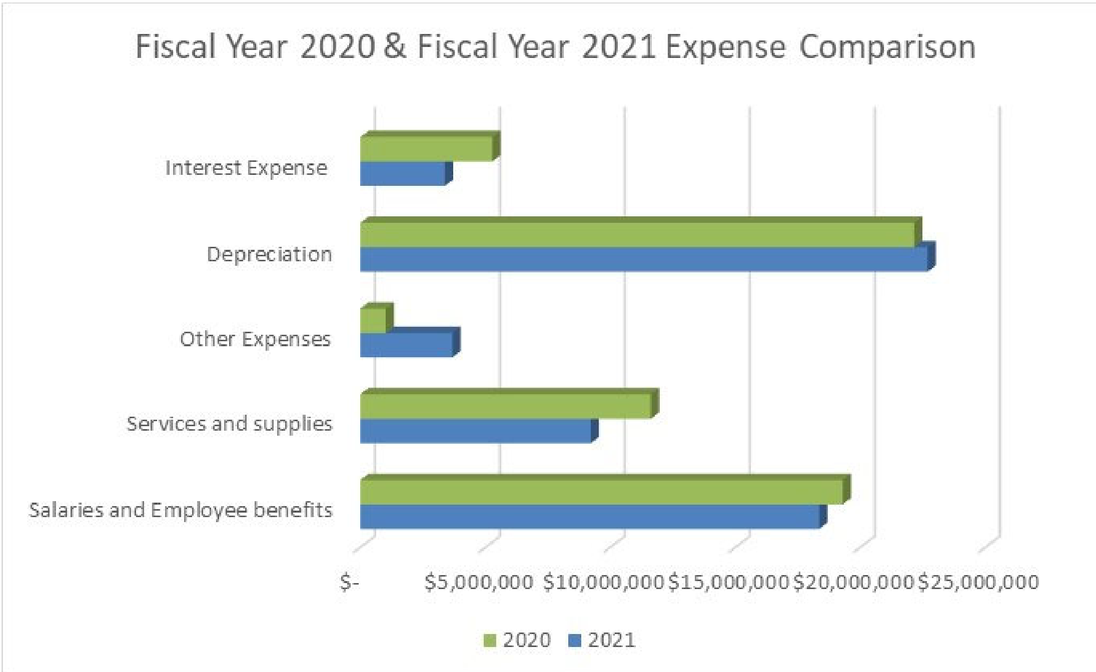
Fiscal Year 2021 Expenses

- SMART had operating expenses of $50,269,641, tied to salaries, benefits, other services and supplies. This also includes $22,697,348 in depreciation expense.
- Salaries and benefits decreased over the year ended June 30, 2020, by $196,301 due to vacancy savings.
- Services and supplies decreased by $2,406,912 over the year ended June 30, 2020 due to reductions in service levels due to the pandemic.
- Expenditures related to freight were $196,527.

EXPENSE ANALYSIS

	2021	2020
Salaries and Employee benefits	$ 18,354,310	$ 19,295,606
Services and supplies	$ 9,217,567	$ 11,624,479
Other Expenses	$ 3,673,981	$ 1,018,506
Depreciation	$ 22,697,348	$ 22,150,111
Interest Expense	$ 3,374,308	$ 5,273,801
Total	$ 57,317,514	$ 59,362,503





Capital Assets

SMART's capital assets, as of June 30, 2021 are $554,122,776 (net of accumulated depreciation) which is a decrease of $7,048,535 over June 30, 2020. The decrease was a result of higher accumulated depreciated. SMART assets include land, construction in progress, infrastructure (tracks/rails, crossings, bridges, fencing, tunnels, road crossings and pathway improvements), buildings and improvements, and equipment.

CAPTIAL ASSETS

	2021	2020	2021-2020 Change
Land	$ 43,326,251	$ 43,532,414	$ (206,163)
Intangible Assets (Non-Amorizable)	$ 19,770	$ 20,770	$ (1,000)
Construction in Progress	$ 25,987,692	$ 13,519,021	$ 12,468,671
Total Non-Depreciable Assets	$ 69,333,713	$ 57,072,205	$ 12,261,508
Infrastructure	$ 498,807,467	$ 498,244,969	$ 562,498
Revenue Vehicles	$ 61,253,699	$ 59,603,699	$ 1,650,000
Buildings and Improvements	$ 24,868,302	$ 24,868,302	$ -
Equipment	$ 10,211,671	$ 9,036,864	$ 1,174,807
Intangible Assets	$ 387,672	$ 387,672	$ -
Total Depreciable Assets	$ 595,528,811	$ 592,141,506	$ 3,387,305
Accumulated Depreciation	$(110,739,748)	$ (88,042,400)	$ (22,697,348)
Capital Assets being Depreciated (net)	$ 484,789,063	$ 504,099,106	$ (19,310,043)
Total Capital Assets, Net of Depreciation	$ 554,122,776	$ 561,171,311	$ (7,048,535)

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

Debt

SMART had $119,605,000 in bonds outstanding June 30, 2021 compared to $145,846,953 on June 30, 2020. Additional information on SMART's long-term debt can be found in Note 4. In October 2020, SMART paid off the remaining balance of this debt by placing the proceeds of new 2020 debt in an irrevocable trust to provide for all future debt service payment on the old bonds.

Economy

SMART operations rely directly on the strength of its designated Measure Q sales and use tax receipts which provides more than 51% of its operating revenue on an ongoing basis. The strength of this revenue source is dependent on the economic health of the two counties of the SMART District, particularly employment rates and job growth. As discussed previously, due to shelter-in-place orders issued in March of 2020, it was unclear what the impact would be to sales taxes in SMART's jurisdiction. Based on that uncertainty, SMART moved quickly to reduce expenses in the face of these economic pressures and has benefitted from federal relief funds which, combined with budget reductions, have stabilized the finances of the District. In addition, although sales and use tax receipts were down by over 5% in FY 2019-20, they are up over 12% in FY 2020-21.

Subsequent Events

Key Official Changes

The current General Manager has announced his retirement effective December 31, 2021. The SMART Board of Directors conducted a national search. On October 20, 2021, the Board announced that they have hired Eddy Cumins, the Chief Operating Officer for the Utah Transit Authority. Mr. Cumins will start on November 29, 2021.

Federal COVID-19 Relief Funds

Since the end of Fiscal Year 2020-21, SMART has received $6.9 million in American Rescue Plan (ARP) funds to be used towards operating costs in Fiscal Year 22 and Fiscal Year 23.

Request for Additional Information

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

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Transit/Pathway	Freight	Total
ASSETS			
Current Assets			
Cash and cash equivalents (Note 2)	$63,951,746	$5,906,313	$69,858,059
Restricted cash, cash equivalents, and investments with trustee (Note 2)	5,014,272		5,014,272
Due from other governments	16,914,400		16,914,400
Other receivables	9,936,787		9,936,787
Deposits with others	883,300		883,300
Inventory	1,619,411		1,619,411
Prepaid expenses	2,083,370		2,083,370
Total current assets	100,403,286	5,906,313	106,309,599
Noncurrent Assets			
Capital assets (Note 3):			
Non-depreciable:			
Land	43,326,251		43,326,251
Construction in progress	25,987,692		25,987,692
Intangible assets	19,770		19,770
Depreciable (net of accumulated depreciation):			
Infrastructure	403,796,309		403,796,309
Buildings and improvements	20,339,471		20,339,471
Equipment and vehicles	6,638,312		6,638,312
Revenue vehicles	53,818,421		53,818,421
Intangible assets	196,550		196,550
Total capital assets, net	554,122,776		554,122,776
Total noncurrent assets	554,122,776		554,122,776
Total Assets	654,526,062	5,906,313	660,432,375
DEFERRED OUTFLOWS OF RESOURCES			
Pension related (Note 5)	2,211,678		2,211,678
OPEB related (Note 6)	1,100,421		1,100,421
Total Deferred Outflows of Resources	3,312,099		3,312,099
LIABILITIES			
Current Liabilities			
Accounts payable and other current liabilities	3,892,459	102,840	3,995,299
Unearned revenue	9,901	5,803,473	5,813,374
Interest payable	552,252		552,252
Compensated absences - due within one year (Note 1H)	1,318,278		1,318,278
Long-term debt - due within one year (Note 4)	13,280,000		13,280,000
Total current liabilities	19,052,890	5,906,313	24,959,203
Noncurrent Liabilities			
Compensated absences (Note 1H)	258,665		258,665
Net other post-employment benefits liability (Note 6)	4,487,421		4,487,421
Net pension liability (Note 5)	1,484,496		1,484,496
Long-term debt (Note 4)	106,325,000		106,325,000
Other noncurrent liabilities	109,517		109,517
Total noncurrent liabilities	112,665,099		112,665,099
Total Liabilities	131,717,989	5,906,313	137,624,302
DEFERRED INFLOWS OF RESOURCES			
Pension related (Note 5)	10,835		10,835
OPEB related (Note 6)	178,555		178,555
Total Deferred Inflows of Resources	189,390		189,390
NET POSITION (Note 1L)			
Net investment in capital assets (Note 1L)	434,517,776		434,517,776
Unrestricted	91,413,006		91,413,006
Total Net Position	$525,930,782		$525,930,782

See accompanying notes to basic financial statements

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Transit/Pathway	Freight	Total
OPERATING REVENUES			
Fare revenues	$706,938		$706,938
Other operating revenues	564,668		564,668
Total operating revenues	1,271,606		1,271,606
OPERATING EXPENSES			
Salaries and employee benefits	19,099,305		19,099,305
Capitalized employee costs	(744,995)		(744,995)
Services and supplies	9,021,040	$196,527	9,217,567
Depreciation (Note 3)	22,697,348		22,697,348
Other charges	416		416
Total program operating expenses	50,073,114	196,527	50,269,641
Operating loss	(48,801,508)	(196,527)	(48,998,035)
NON-OPERATING REVENUES (EXPENSES)			
Sales/Use taxes	44,002,410		44,002,410
State operating assistance	4,943,710	196,527	5,140,237
Federal operating assistance	11,161,605		11,161,605
Investment earnings	628,728		628,728
Miscellaneous revenue	(1,190,816)		(1,190,816)
Capital expense passed through to other agencies	(3,673,565)		(3,673,565)
Gain (loss) on sale of asset	5,779,530		5,779,530
Interest expense	(3,374,308)		(3,374,308)
Total non-operating revenues, net	58,277,294	$196,527	58,473,821
Income before capital grants	9,475,786		9,475,786
CAPITAL GRANTS			
State of California	11,287,984		11,287,984
State of Good Repair	304,477		304,477
Metropolitan Transportation Commission			
Sonoma County Transportation Authority- Measure M	109,468		109,468
Federal	2,500,000		2,500,000
Other governmental agencies	4,544,490		4,544,490
Total capital grants	18,746,419		18,746,419
Change in net position	28,222,205		28,222,205
NET POSITION			
Beginning of Year	497,708,577		497,708,577
End of Year	$525,930,782		$525,930,782

See accompanying notes to basic financial statements

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Transit/Pathway	Freight	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$706,938		$706,938
Payment to others	11,030,503		11,030,503
Payments to suppliers for goods and services	(17,271,372)	$5,709,786	(11,561,586)
Payments to and on behalf of employees	(17,103,057)		(17,103,057)
Net cash provided (used) by operating activities	(22,636,988)	5,709,786	(16,927,202)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received	767,076		767,076
Net cash provided by investing activities	767,076		767,076
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Sales tax received	42,194,294		42,194,294
State operating assistance	4,121,007	196,527	4,317,534
Federal operating assistance	11,161,605		11,161,605
Net cash provided by noncapital and financing activities	57,476,906	196,527	57,673,433
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(13,697,582)		(13,697,582)
Gain from sale of capital asset	5,779,530		5,779,530
Labor costs related to capital projects	(744,995)		(744,995)
Capital grants received restricted for capital purposes	16,552,916		16,552,916
Cash paid on projects on behalf of other governments	(3,673,565)		(3,673,565)
Cash receipts for third party infrastructure	(1,192,892)		(1,192,892)
Principal payments on long-term debt	(26,241,953)		(26,241,953)
Interest paid on capital debt	(5,102,415)		(5,102,415)
Net cash provided (used) by capital and related financing activities	(28,320,956)		(28,320,956)
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,286,038	5,906,313	13,192,351
CASH AND INVESTMENTS AT BEGINNING OF YEAR	61,679,980		61,679,980
CASH AND INVESTMENTS AT END OF YEAR	$68,966,018	$5,906,313	$74,872,331
RECONCILIATION TO STATEMENT OF NET POSITION			
Cash and Cash Equivalents	$63,951,746	$5,906,313	$69,858,059
Restricted cash, cash equivalents, and investments with trustee	5,014,272		5,014,272
Total cash and cash equivalents	$68,966,018	$5,906,313	$74,872,331
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating loss	($48,801,508)	($196,527)	($48,998,035)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	22,697,348		22,697,348
Changes in operating assets and liabilities:			
Prepaid expenses	(414,169)		(414,169)
Accounts receivable	10,465,835		10,465,835
Accounts payable and other accrued liabilities	(7,835,747)	5,906,313	(1,929,434)
Compensated absences	107,034		107,034
Net other post-employment benefits liability	809,227		809,227
Net pension liability and related deferred outflow/inflow of resources	334,992		334,992
Net cash provided (used) by operating activities	($22,636,988)	$5,709,786	($16,927,202)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Inventory	36,008		36,008

See accompanying notes to basic financial statements

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash Equivalents

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

E. Investments

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

F. Restricted Cash and Investments with Trustee

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

G. Receivables

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

H. Compensated Absences

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

Employee liabilities as of June 30, 2021 are as follows:

Beginning Balance	$1,469,909
Additions	973,622
Payments	(866,588)
Ending Balance	$1,576,943
Current Portion	$1,318,278

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Risk Management

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

J. Use of Estimates

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

K. Deferred Inflow/Outflow of Resources

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

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

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and is reduced by outstanding debt related to financing the acquisition of capital assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of the capital assets or related debt are included in this component of net position. At June 30, 2021, the breakout of this calculation is reflected as follows:

Total Capital Assets at June 30, 2021	$554,122,776
Related Debts at June 30, 2021:	
Measure Q Sales Tax	
Revenue Refunding Bonds	119,605,000
Net Investment in Capital Assets	$434,517,776

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

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

M. Fair Value Measurements

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

GASB 84 – In January 2017, GASB issued Statement No. 84, _Fiduciary Activities._ The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The Statement is effective for the periods beginning after December 15, 2019, or the fiscal year 2020-21. The implementation of this Statement did not have a material effect on the financial statements.

GASB 90 – In August 2018, GASB issued Statement No. 90, _Majority Equity Interest, an amendment of GASB statement No. 14 and No. 61_. The objective of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government's holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. This Statement is effective for reporting periods beginning after December 15, 2019, or fiscal year 2020-21. The implementation of this Statement did not have a material effect on the financial statements.

O. Future Accounting Pronouncements

GASB has issued the following statements which may impact the District's financial reporting requirements in the future. The District is currently analyzing the impact of implementing these new statements.

GASB 87 – In June 2017, the GASB issued Statement No. 87, _Leases_. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a leasee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2019. GASB has since updated the effective date for fiscal periods beginning after June 15, 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 93 – In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. This Statement establishes accounting and reporting requirements for interbank offered rate (IBOR) financial instruments. Some governments, including the District, have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address these and other accounting and financial reporting implications that result from the replacement of an IBOR. The District has LIBOR based investment and derivative financial instruments in its portfolio. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020.

NOTE 2 – CASH AND INVESTMENTS

Cash, cash equivalents, and investments are carried at fair value and are categorized as follows at June 30, 2021:

	Available for Operations	Held by Trustee	Total
Cash equivalent:			
Sonoma County Treasury Pool	$36,905,720	$5,014,272	$41,919,992
Deposits	32,952,339		32,952,339
Total Cash and Investments	$69,858,059	$5,014,272	$74,872,331

A. Investments Authorized by the District's Investment Policy

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

SMART investments beyond those needed for near-term requirements are invested with the Sonoma County Treasury Pool which adheres to SMART's investment policy.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Negotiable Certificates of Deposit	5 years	A-1/ P-1	30%	None
Bankers Acceptances	180 days	A-1/ P-1	40%	30%
Commercial Paper	270 days	A-1	25%	10%
Money Market Mutual Funds	N/A	AAAm	20%	10%
Medium-Term Notes	5 years	AA	30%	None
Time Deposits	5 years	N/A	30%	None
Municipal Obligations	5 years	N/A	None	None
General Obligations of States	5 years	N/A	None	None
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Obligations	5 years	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	N/A	None	$75 million
County Pooled Investment	N/A	N/A	None	None

C. Interest Rate Risk

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

D. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Custodial Credit Risk

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

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure SMART deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. SMART's cash deposits at the Bank of Marin are secured by at least 110% government issued securities.

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

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

F. Concentration of Credit Risk

SMART's Investment Policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. SMART was invested in the Treasury Pool and the Bank of Marin at June 30, 2021. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total Treasury Pool, refer to the 2021 Sonoma County Comprehensive Annual Financial Report.

G. Fair Value Hierarchy

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

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

NOTE 3 – CAPITAL ASSETS

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

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

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

Capital assets comprised the following at June 30, 2021:

	Balance June 30, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	$43,532,414		($206,163)		$43,326,251
Intangible assets	20,770			($1,000)	19,770
Construction in progress	13,519,021	$15,854,976		($3,386,305)	25,987,692
Total capital assets not being depreciated	57,072,205	15,854,976	(206,163)	(3,387,305)	69,333,713
Capital assets being depreciated:					
Infrastructure	498,244,969			562,498	498,807,467
Buildings and improvements	24,868,302				24,868,302
Equipment and vehicles	9,036,864			1,174,807	10,211,671
Revenue vehicles	59,603,699			1,650,000	61,253,699
Intangible assets	387,672				387,672
Total capital assets being depreciated	592,141,506			3,387,305	595,528,811
Less accumulated depreciation for:					
Infrastructure	(75,915,940)	(19,095,218)			(95,011,158)
Buildings and improvements	(3,885,565)	(643,266)			(4,528,831)
Equipment	(2,765,145)	(808,214)			(3,573,359)
Revenue vehicles	(5,338,488)	(2,096,790)			(7,435,278)
Intangible assets	(137,262)	(53,860)			(191,122)
Total accumulated depreciation	(88,042,400)	(22,697,348)			(110,739,748)
Total capital assets being depreciated, net	504,099,106	(22,697,348)		3,387,305	484,789,063
Capital assets, net	$561,171,311	($6,842,372)	($206,163)		$554,122,776

NOTE 4 – LONG TERM DEBT

A. *Composition and Changes*

Long-term debt activity for the year ended June 30, 2021 was as follows:

	Original Issue Amount	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amount due within one year
Bonds Payable:						
Measure Q Sales Tax Revenue Refunding Bonds (Green Bonds) Series 2020A 0.45-2.09%, due 3/1/2029	$122,970,000		$122,970,000	$3,365,000	$119,605,000	$13,280,000
Remarketed Series 2011A 2.00-5.00%, due 3/1/2029	170,725,000	$136,865,000		136,865,000		
Unamortized bond premium	19,371,688	8,981,953		8,981,953		
Total long-term debt, net		$145,846,953	$122,970,000	$149,211,953	$119,605,000	$13,280,000

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

Measure Q Sales Tax Revenue Bonds Series 2011A – In December 2011, the District issued $190,145,000 in variable rate Measure Q Sales Tax Revenue Bonds Series 2011A (Initial Series 2011A Bonds). The Initial Series 2011A Bonds had an initial term of 1% until January 10, 2013. Although the Initial Series 2011A Bonds had a maturity date of March 1, 2029, they had certain provisions that allowed SMART to remarket them. In May 2012, SMART successfully remarketed the Initial Series 2011A Bonds and raised $199,172,032 (Remarketed Series 2011A Bonds). The Remarketed Series 2011A Bonds were issued to finance the construction of the initial phase of a passenger rail system and adjacent multi-use pathway from Santa Rosa, California to San Rafael, California. The fixed rate Remarketed Series 2011A Bonds will bear interest between 2-5% and mature by March 1, 2029. On October 21, 2020, proceeds from the 2020 Measure Q Sales Tax Revenue Refunding Bonds (Green Bonds), Series 2020A (described below) were used to refund $157,163,502 of the Series 2011A Bonds.

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

The total projected Measure Q Sales Tax revenue, as projected in the 2021 Capital Improvement Plan, is expected to approximate $384 million over the 8 year life of the tax, which is sufficient to repay the estimated debt service, including interest. The Measure Q Sales Tax revenue recognized during the fiscal year ended June 30, 2021 was $44,002,411 whereas debt service on the Measure Q bonds was $5,623,970 for the fiscal year ended June 30, 2021.

NOTE 4 – LONG TERM DEBT (Continued)

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, 2021:

For The Year Ending June 30	Principal	Interest
2022	$13,280,000	$1,656,756
2023	14,015,000	1,581,192
2024	14,765,000	1,479,444
2025	15,580,000	1,324,116
2026	15,860,000	1,136,844
2027 - 2030	46,105,000	1,793,082
	$119,605,000	$8,971,434

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

NOTE 5 – PENSION PLANS

A. *General Information about the Pension Plans*

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

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

NOTE 5 – PENSION PLANS (Continued)

Benefits Provided – Through CalPERS, SMART provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The death benefit provided by SMART is the 1959 Survivor Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous			
	Tier I	Tier II	Tier III	PEPRA
Hire date	Prior to September 1, 2011	On or after September 1, 2011	On or after June 2, 2012	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	55	60	62
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1.426%-2.418%	1.092%-2.418%	1.000%-2.500%
Required employee contribution rates	7%*	7%	7%	6.75%
Required employer contribution rates	10.484%	10.484%	8.794%	7.732%

*SMART pays employee share

	Safety
	PEPRA
Hire date	On or after January 1, 2013
Benefit formula	2.7% @ 57
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	57
Monthly benefits, as a % of eligible compensation	2.0%-2.7%
Required employee contribution rates	13.0%
Required employer contribution rates	13.034%

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

For the year ended June 30, 2021, the contributions recognized as part of pension expense for the Plans were as follows:

	Safety	Miscellaneous
Contributions - employer	$16,454	$1,016,199

NOTE 5 – PENSION PLANS (Continued)

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plans	$1,473,514
Safety Plans	10,982
	$1,484,496

The District's net pension liability is measured as the proportionate share of the net pension liability of the cost-sharing plan. The net pension liability of each of the Plan is measured as of June 30, 2020, and the total pension liability for each of the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was actuarially determined at the valuation date.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

	Miscellaneous
Proportion - June 30, 2019	0.02813%
Proportion - June 30, 2020	0.03493%
Change - Increase (Decrease)	0.00680%
	Safety
Proportion - June 30, 2019	0.00001%
Proportion - June 30, 2020	0.00001%
Change - Increase (Decrease)	0.00000%

For the year ended June 30, 2021, the District recognized a pension expense of $1,367,645.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the Miscellaneous Plan from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$1,016,199	
Differences between actual and expected experience	75,935	
Changes in assumptions		($10,510)
Net differences between projected and actual earnings on plan investments	43,773	
Net Change in proportion and differences between actual contributions and proportionate share of contributions	1,028,180	
Total	$2,164,087	($10,510)

NOTE 5 – PENSION PLANS (Continued)

At June 30, 2021, the District reported $1,016,199 as deferred outflows of resources related to contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous Plan	
Year Ended June 30	Annual Amortization
2022	$538,266
2023	389,711
2024	188,407
2025	20,994
Total	$1,137,378

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the Safety Plan from the following sources:

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$16,454	
Differences between actual and expected experience	852	
Changes in assumptions		($37)
Net differences between projected and actual earnings on plan investments	239	
Net Change in proportion and differences between actual contributions and proportionate share of contributions	30,046	(288)
Total	$47,591	($325)

At June 30, 2021, the District reported $16,454 as deferred outflows of resources related to contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Safety Plan	
Year Ended June 30	Annual Amortization
2022	$13,020
2023	11,983
2024	5,690
2025	119
Total	$30,812

NOTE 5 – PENSION PLANS (Continued)

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

	All Plans
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table(1)	Derived using CalPers Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.5% thereafter

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

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

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

NOTE 5 – PENSION PLANS (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

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

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

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

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	$3,102,562	$31,175
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$1,473,514	$10,982
1% Increase	8.15%	8.15%
Net Pension Liability (Asset)	$127,483	($5,589)

NOTE 5 – PENSION PLANS (Continued)

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

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

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

By SMART Board of Directors resolution, SMART will provide certain health care benefits for retired employees under third-party insurance plans. The District's Post Employment Benefit Plan is a single-employer defined benefit plan. Employees become eligible to retire and receive healthcare benefits upon reaching retirement age with at least 5 years of service or being converted to disability, retiring directly from the District, and continue participating in Public Employees' Medical and Hospital Care Act (PEMHCA) after retirement. The PEMHCA minimum benefit was \$139 per month in 2020 and is \$143 per month in 2021. As of June 30, 2021, there were two retiree receiving OPEB benefits.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2020:

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

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

B. Total OPEB Liability

Actuarial Methods and Assumptions – The District's total OPEB liability was measured as of June 30, 2020 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2020 to determine the $4,487,421 total OPEB liability as of June 30, 2020, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age actuarial cost method
Actuarial Assumptions:	
Discount Rate	3.62% at June 30 2018, and 3.13% at June 30 2019. Since the benefits are not funded, the discount rate is equal to the 20-year bond rate.
20 Year Bond Rate	SMART has chosen to use the "Fidelity General Obligation AA" as its 20-year bond rate. That Index was 3.62% at June 30 2018, and 3.13% at June 30 2019.
Premium Increases	Medical Premiums and PEMHCA minimum are assumed to increase as follows: 2021-2023 to 4%, 2024-2027 to 4.5%, 2028 and later to
Payroll Growth	Total payroll is assumed to increase 3.0% per year in the future.
Mortality Rate	Rates are taken from 2017 CalPERS valuation.
Retirement	Rates are taken from 2017 CalPERS valuation for miscellaneous public employees with 2% at age 55, 2% at 60, or 2% at 62 retirement formula, depending on which the employee has now.
Coverage Elections	80% of future eligible retired employees are assumed to participate in this program. Employees with no current medical coverage are assumed to elect Kaiser employee-only coverage upon retirement.
Turnover (withdrawal)	Likelihood of termination within the next year is taken from the 2017 CalPERS valuation, rates for Public Miscellaneous employees.
Inflation	Long-term inflation is assumed to be 2.75% per year.
Age-Specific Medical Claims	The estimated per person medical claims (true cost of coverage) during the 2019-20 fiscal year are as follows: Ages 50, 55, 60, 64 amount per age respectfully are $11,363; $14,014; $16,334; $17,525.

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

C. Changes in Total OPEB Liability

The changes in the total OPEB liability follows:

	Total OPEB Liability
Balance at June 30, 2019	$3,074,676
Changes Recognized for the Measurement Period:	
Service cost	638,813
Interest on the total OPEB liability	96,162
Differences between expected and actual experience	0
Changes of assumptions	682,576
Benefit payments	(4,806)
Net changes	1,412,745
Balance at June 30, 2020 (Measurement Date)	$4,487,421

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 1.45% or 1-percentage-point higher 3.45% than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
1.45%	2.45%	3.45%
$5,793,668	$4,487,421	$3,529,077

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

Total OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
3% to 4%	4% to 5%	5% to 6%
$3,505,285	$4,487,421	$5,806,567

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

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

For the year ended June 30, 2021, the District recognized OPEB expense of $809,227. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date		
Differences between actual and expected experience	$215,515	
Net difference between projected and actual earnings on OPEB plan investments		
Changes of assumptions	884,906	$178,555
Total	$1,100,421	$178,555

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

Year Ended June 30	Annual Amortization
2022	$79,058
2023	79,058
2024	79,058
2025	79,058
2026	79,058
Thereafter	526,576
Total	$921,866

NOTE 7 – COMMITMENTS

A. Lease Commitments

SMART's future noncancellable lease payments are:

Year Ending June 30	Minimum Lease Payment
2022	456,363
2023	73,582
Total	$529,945

B. Purchase Commitments

At June 30, 2021, SMART had outstanding purchase and contract commitments for the rail and pathway project of $39 million. This includes a contract for the three mile Windsor extension that will be delayed following a legal challenge to the Regional Measure 3 funds in that project.

REQUIRED SUPPLEMENTARY INFORMATION

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
Miscellaneous and Safety Cost Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2021

Last 10 Years*

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

	Miscellaneous Plan*						
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Measurement Period	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Plan's proportion of the Net Pension Liability (Asset)	0.01018%	0.02813%	0.02136%	0.02376%	0.02309%	0.02813%	0.03493%
Plan's proportion share of the Net Pension Liability (Asset)	$633,530	$585,152	$742,146	$936,778	$870,893	$1,126,646	$1,473,514
Covered Payroll	3,073,231	3,572,374	6,017,592	9,930,773	11,175,297	12,916,529	13,265,008
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	20.61%	16.38%	12.33%	9.43%	7.79%	8.49%	11.11%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.26%	75.26%	74.32%

	Safety Plan **		
	2019	**2020**	**2021**
Measurement Period	6/30/2018	6/30/2019	6/30/2020
Plan's proportion of the Net Pension Liability (Asset)	0.00001%	0.02813%	0.03493%
Plan's proportion share of the Net Pension Liability (Asset)	$709	$4,177	$10,982
Covered Payroll	$180,138	$195,041	$211,670
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	0.39%	2.14%	5.19%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	75.26%	74.32%

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

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

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
Cost Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2021

Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	Miscellaneous						
Fiscal Year	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	$347,672	$409,897	$699,783	$747,878	$910,518	$976,474	$1,016,199
Contributions in relation to the actuarially determined contributions	(347,672)	(477,840)	(699,783)	(747,878)	(910,518)	(976,474)	(1,016,199)
Contribution deficiency (excess)	-	($67,943)	-	-	-		
Covered payroll	$3,572,374	$6,017,592	$9,930,773	$11,175,297	$12,916,529	$13,265,008	$12,561,577
Contributions as a percentage of covered payroll	9.73%	7.94%	7.05%	6.69%	7.05%	7.36%	8.09%

	Safety Plan **	Safety Plan **	Safety Plan **
Fiscal Year	2019	2020	2021
Actuarially determined contribution	$23,680	$27,589	$16,454
Contributions in relation to the actuarially determined contributions	(23,680)	(27,589)	(16,454)
Contribution deficiency (excess)	-	-	-
Covered payroll	$195,041	$211,670	$122,516
Contributions as a percentage of covered payroll	12.14%	13.03%	13.43%

Notes to Schedule Contributions

Methods and assumptions used to determine contribution rates:

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

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

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

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

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

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

Last 10 fiscal years*

Measurement Date	**6/30/17**	**6/30/18**	**6/30/2019**	**6/30/2020**
Total OPEB Liability**				
Service Cost	$478,730	$438,273	$444,687	$638,813
Interest	36,782	54,494	72,116	96,162
Changes of benefit terms				
Differences between expected and actual experience			260,415	
Changes of assumptions	(241,085)	(26,755)	308,419	682,576
Benefit payments	(3,801)	(2,891)	(6,257)	(4,806)
Net change in total OPEB liability	270,626	463,121	1,079,380	1,412,745
Total OPEB liability - beginning	1,261,549	1,532,175	1,995,296	3,074,676
Total OPEB liability - ending	$1,532,175	$1,995,296	$3,074,676	$4,487,421
Covered-employee payroll	$9,930,773	$11,175,297	$18,840,794	$13,476,678
Total OPEB liability as a percentage of covered payroll	15.43%	17.85%	16.32%	33.30%

* Fiscal year 2018 was the first year of implementation.
** The District does not have assets in a trust to pay related OPEB benefits.

STATISTICAL SECTION

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STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

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

Operating Information

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

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

Sources

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

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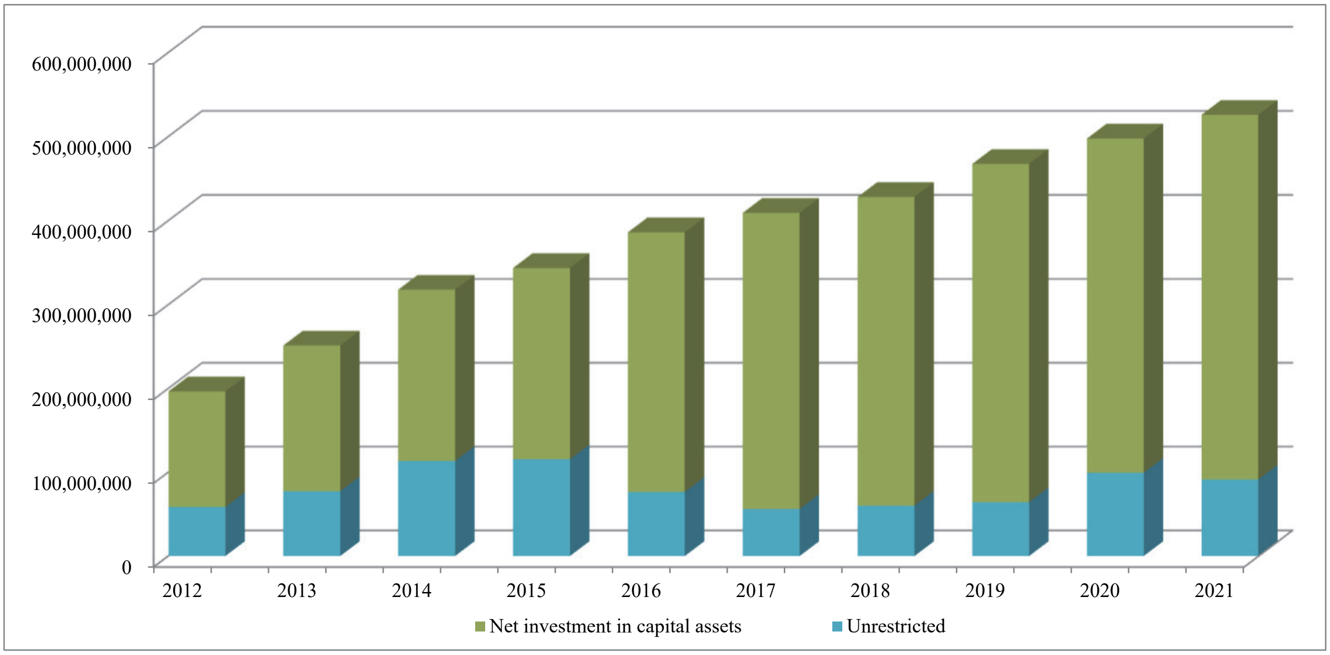
Table 1
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NET POSITION BY COMPONENT
Last Ten Fiscal Years



	2012	2013	2014	2015	2016
Net investment in capital assets	$137,997,431	$173,996,072	$204,389,312	$228,244,612	$309,724,259
Unrestricted	58,533,319	77,347,530	113,506,183	115,465,740	76,452,056
Total net position	$196,530,750	$251,343,602	$317,895,495	$343,710,352	$386,176,315

	2017	2018	2019	2020	2021
Net investment in capital assets	$353,088,871	$367,957,650	$403,239,649	$398,251,858	$434,505,310
Unrestricted	56,226,336	60,223,084	64,324,957	99,456,719	$91,425,472
Total net position	$409,315,207	$428,180,734	$467,564,606	$497,708,577	$525,930,782

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

	2012	2013	2014	2015	2016
Operating Revenues:					
Operating Revenue	$650,877	$597,880	$840,586	$640,249	$529,191
Total Operating Revenues	650,877	597,880	840,586	640,249	529,191
Operating Expenses:					
Public transportation - rail/pathway development:					
Net salaries and employee benefits	2,597,001	2,683,628	3,041,027	4,303,358	7,736,893
Services and supplies	4,179,668	4,772,700	4,466,562	5,275,106	5,998,630
Depreciation	4,527,575	4,527,575	4,473,500	4,575,530	4,610,295
Bad Debt	-	-	-	-	-
Loss on impairment of assets	-	-	433,295	-	-
Other charges	76,671	700,783	215,922	380,000	7,541
Total Operating Expenses	11,380,915	12,684,686	12,630,306	14,533,994	18,353,359
Operating loss	(10,730,038)	(12,086,806)	(11,789,720)	(13,893,745)	(17,824,168)
Nonoperating Revenues (Expenses):					
Sales/Use taxes	28,303,501	30,435,753	32,473,329	33,845,426	34,776,012
Federal, state, and other operating assistance	-	-	-	-	-
Investment earnings	437,618	1,495,066	1,182,159	1,384,557	585,178
Sale of contract option	-	-	-	-	-
Capital expense passed through to other agencies	-	-	-	(1,557,743)	(295,894)
Miscellaneous revenue	26,236	62,178	65,638	49,351	2,264,334
Interest expense	(1,117,492)	(5,328,770)	(4,420,558)	(2,761,502)	(805,558)
Total Nonoperating Revenues	27,649,863	26,664,227	29,300,568	30,960,089	36,524,072
Income before capital grants	16,919,825	14,577,421	17,510,848	17,066,344	18,699,904
Capital Grants					
State of California	8,148,143	24,130,596	4,295,318	3,381	284,094
Metropolitan Transportation Commission	-	4,541,421	35,500,504	7,119,973	2,683,108
Sonoma County Transportation Authority	4,594,099	5,758,121	5,136,487	35,358	47,780
Federal Grants	1,203,349	6,021,838	2,562,581	500,595	3,779,595
Other governmental agencies	209,796	666,592	1,543,983	1,534,698	749,376
Donated asset	-	-	-	-	16,222,106
Total Capital grants	14,155,387	41,118,568	49,038,873	9,194,005	23,766,059
Change in net position	$31,075,212	$55,695,989	$66,549,721	$26,260,349	$42,465,963

Source: SMART annual financial statements.

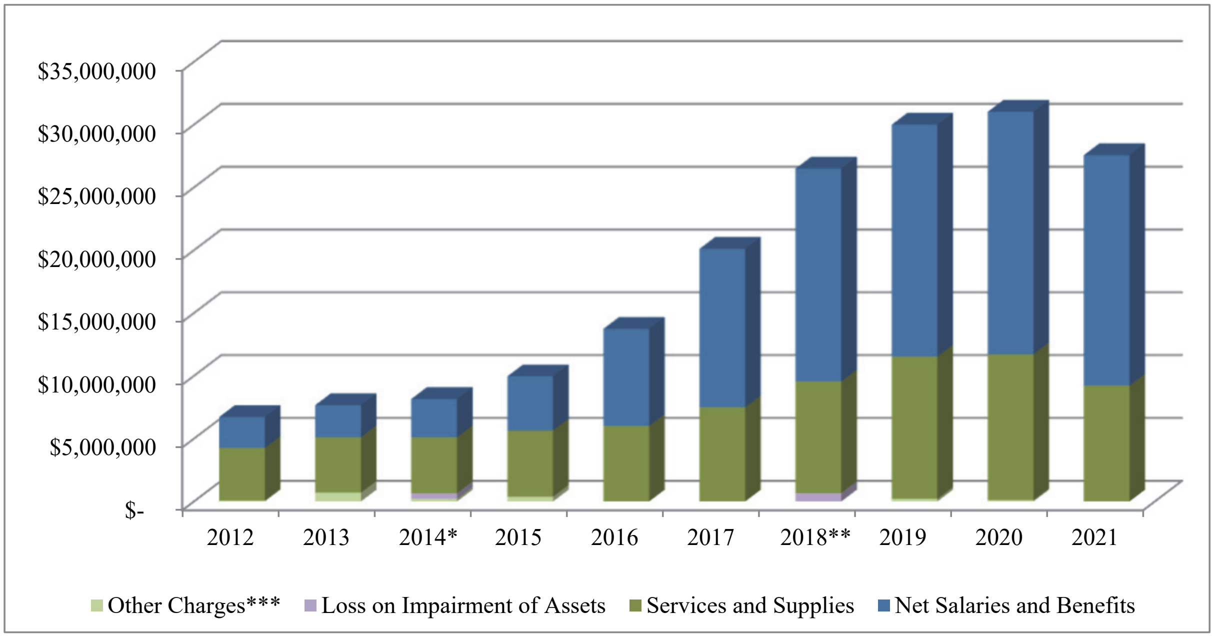
Continued on Next Page

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

	2017	2018	2019	2020	2021
Operating Revenues:					
Operating Revenue	$588,402	$4,025,111	$5,036,875	$3,965,115	1,271,606
Total Operating Revenues	588,402	4,025,111	5,036,875	3,965,115	1,271,606
Operating Expenses:					
Public transportation - rail/pathway development:					
Net salaries and employee benefits	12,610,874	16,950,114	18,453,125	19,295,606	18,354,310
Services and supplies	7,498,986	8,877,465	11,336,573	11,624,479	9,217,567
Depreciation	4,716,779	17,800,126	19,033,577	22,150,111	22,697,348
Bad Debt	-	-	-	-	-
Loss on impairment of assets	-	671,378	-	-	-
Other charges	212	954	203,883	100,000	416
Total Operating Expenses	24,826,851	44,300,037	49,027,158	53,170,196	50,269,641
Operating loss	(24,238,449)	(40,274,926)	(43,990,283)	(49,205,081)	(48,998,035)
Nonoperating Revenues (Expenses):					
Sales/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
Investment earnings	366,748	724,313	1,974,246	338,227	628,728
Sale of contract option	-	-	-	-	-
Capital expense passed through to other agencies	(62,636)	(3,778,891)	(770,156)	(918,506)	(3,673,565)
Miscellaneous revenue	438,639	2,236,508	4,174,454	1,438,087	4,588,714
Interest expense	(1,164,558)	(5,819,778)	(5,591,608)	(5,273,801)	(3,374,308)
Total Nonoperating Revenues	35,640,088	34,198,994	46,028,832	50,137,432	58,473,821
Income before capital grants	11,401,639	(6,075,932)	2,038,549	932,351	9,475,786
Capital Grants					
State of California	458,549	837,950	2,883,980	20,311,493	11,592,461
Metropolitan Transportation Commission	5,007,846	9,939,309	4,388,830	224,051	-
Sonoma County Transportation Authority	33,440	356,219	55,249	22,632	109,468
Federal Grants	2,750,431	9,450,100	21,270,383	2,609,220	2,500,000
Other governmental agencies	3,036,898	4,357,881	8,746,881	4,716,659	4,544,490
Donated asset	1,116,726	-	-	1,327,565	-
Total Capital grants	12,403,890	24,941,459	37,345,323	29,211,620	18,746,419.00
Change in net position	$23,805,529	$18,865,527	$39,383,872	$30,143,971	28,222,205.00

Source: SMART annual financial statements.

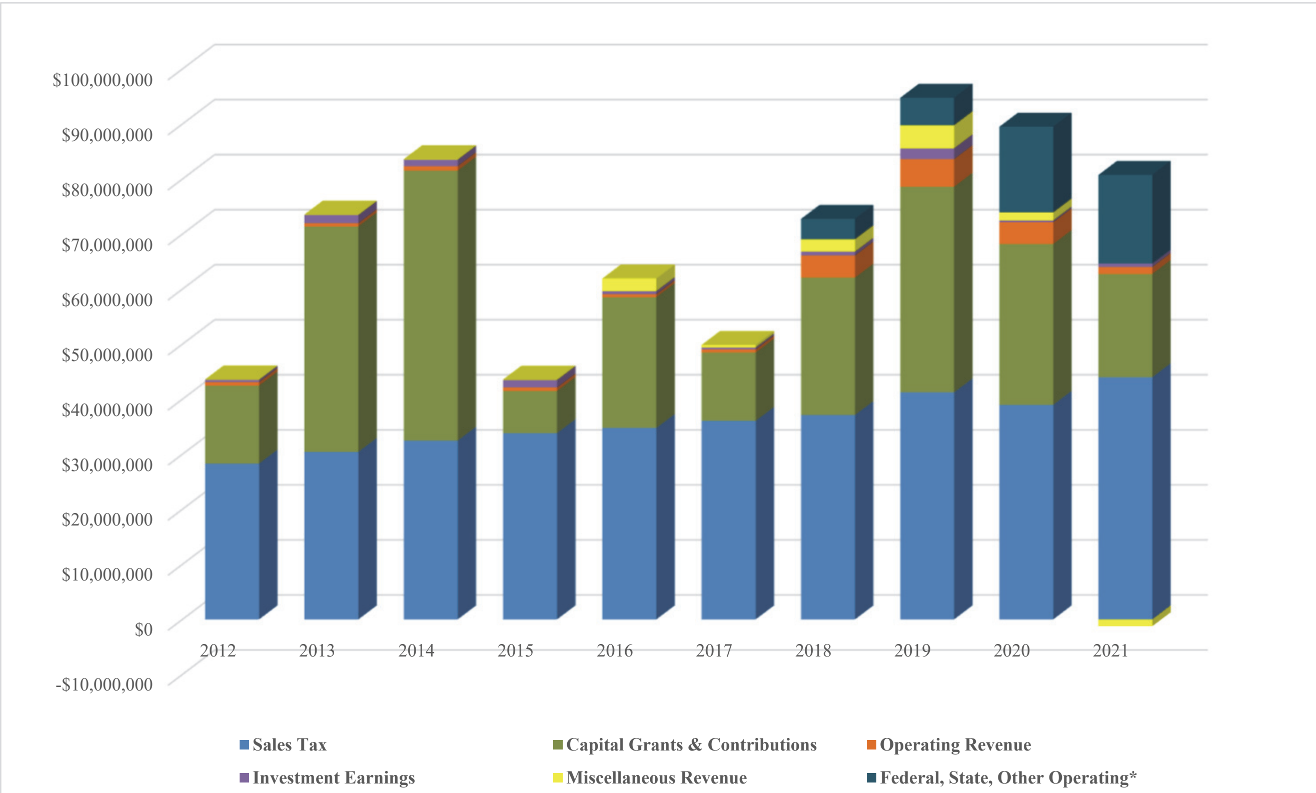
Table 3
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NON-CAPITAL EXPENSE BY CATEGORY
Last Ten Fiscal Years



Fiscal Year Ended June 30	Net Salaries and Benefits	Services and Supplies	Other Charges***	Loss on Impairment of Assets	Total
2012	$ 2,462,175	$ 4,179,668	$ 76,671	$ -	$ 6,718,514
2013	2,558,849	4,406,463	700,783	-	7,666,095
2014*	3,041,027	4,466,562	215,922	433,295	8,156,806
2015	4,303,358	5,275,106	380,000	-	9,958,464
2016	7,736,893	5,998,630	7,541	-	13,743,064
2017	12,610,874	7,498,986	212	-	20,110,072
2018**	16,950,114	8,877,475	954	671,378	26,499,921
2019	18,453,125	11,336,573	203,883	-	29,993,581
2020	19,295,606	11,624,479	100,000	-	31,020,085
2021	$ 18,354,310	$ 9,217,567	$ 416	$ -	$ 27,572,293

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

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



Fiscal Year	Sales Tax	Capital Grants & Contributions	Operating Revenue	Federal, State, Other Operating*	Investment Earnings	Miscellaneous Revenue	Total
2012	$ 28,303,501	$ 14,155,387	$ 650,877		$ 437,618	$ 26,236	$ 43,573,619
2013	30,435,753	40,952,030	597,880		1,495,066	62,178	73,542,907
2014	32,473,329	49,038,873	840,586		1,182,159	65,638	83,600,585
2015	33,845,426	7,636,262	640,249		1,384,557	49,351	43,555,845
2016	34,776,012	23,766,059	529,191		585,178	2,264,334	61,920,774
2017	36,061,895	12,403,890	588,402		366,748	438,639	49,859,574
2018	37,135,476	24,941,459	4,025,111	3,701,366	724,313	2,236,508	72,764,233
2019	41,241,140	37,345,323	5,036,875	5,000,756	1,974,246	4,174,454	94,772,794
2020	38,978,630	29,211,620	3,965,115	15,574,795	338,227	1,438,087	89,506,474
2021	$ 44,002,410	$ 18,746,419	$ 1,271,606	$ 16,105,315	$ 628,728	$ (1,190,816)	$ 79,563,662

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

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

Fiscal Year	SMART Sales Tax Rate	Total Sales Tax Revenue	Marin County Total Taxable Sales (In Thousands)	Sonoma County Total Taxable Sales (In Thousands)	SMART District Total Taxable Sales (In Thousands)
2012	0.25%	$ 28,303,501	$ 4,185,542	$ 7,152,875	$ 11,338,417
2013	0.25%	30,435,753	4,500,247	7,711,052	12,211,299
2014	0.25%	32,473,329	4,769,878	8,264,339	13,034,217
2015	0.25%	33,845,426	4,957,364	8,626,295	13,583,659
2016	0.25%	34,776,012	5,091,014	8,843,184	13,934,198
2017	0.25%	36,061,895	5,004,443	9,154,084	14,158,526
2018	0.25%	37,135,476	5,343,038	9,444,873	14,787,910
2019	0.25%	41,241,140	5,454,389	9,966,334	15,420,723
2020	0.25%	38,978,630	5,148,864	9,113,111	14,261,975
2021	0.25%	$ 44,002,410	$ 5,894,353	$ 10,771,239	$ 16,665,592

Source: California Department of Tax and Fee Administration

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

Marin County

Fiscal Year	State(a)	City	County(b)	SMART(d)	Total
2012	7.25%	0 to 0.50%	0.50%	0.25%	8% to 9%
2013	7.50%	0 to 0.50%	0.50%	0.25%	8% to 9%
2014	7.50%	0 to 0.50%	0.75%	0.25%	8.5% to 9%
2015	7.50%	0 to 0.50%	0.75%	0.25%	8.5% to 9%
2016	7.50%	0 to 0.50%	0.75%	0.25%	8.5% to 9%
2017	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2018	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2019	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2020	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2021	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%

Sonoma County

Fiscal Year	State(a)	City	County(c)	SMART(d)	Total
2012	7.25%	0 to 0.50%	0.50%	0.25%	8.0% to 8.5%
2013	7.50%	0 to 0.50%	0.50%	0.25%	8.25% to 8.75%
2014	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2015	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2016	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2017	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2018	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2019	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2020	7.25%	0 to 1.00%	0.750%	0.25%	8.25% to 9.25%
2021	7.25%	0 to 1.00%	1.000%	0.25%	8.50% to 9.50%

*FY2012 First Year SMART began compiling statistical data

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

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

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

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

(d) SMART sales tax effective April 1, 2009

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

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

	Fiscal Year 2021**		
Principal Revenue Payers: Sales Tax Generators	**Percentage**		**Total Receipts**
General Retail	31.2%	$	13,522,463
Auto and Other Transportation	19.4%		8,418,009
Food & Beverage Products	16.2%		6,996,824
Business to Business	14.8%		6,424,299
Construction Related	14.0%		6,076,770
Miscellaneous	4.3%		1,843,768
Totals	100.0%	$	43,282,133

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

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

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

SMART Measure Q Sales Tax Revenue Refunding Bonds (Green Bonds) Series 2020A (Taxable)

Fiscal Year Ending	Sales Tax Revenue Actual	Sales Tax Revenue Projected*	Series 2020A Bond Interest**	Series 2020A Bonds Principal	Series 2020A Bonds Debt Service Total	Annual Debt Service Coverage Ratio
6/30/2020	$ 38,978,630	$ -	$ 7,312,600	$ 9,435,000	$ 16,747,600	2.33
6/30/2021 ***	44,002,410	-	3,987,001	3,365,000	7,352,001	5.99
6/30/2022		42,074,000	1,656,756	13,280,000	14,936,756	2.82
6/30/2023		43,964,000	1,581,193	14,015,000	15,596,193	2.82
6/30/2024		45,686,000	1,479,444	14,765,000	16,244,444	2.81
6/30/2025		47,340,000	1,324,116	15,580,000	16,904,116	2.80
6/30/2026		48,927,000	1,136,844	15,860,000	16,996,844	2.88
6/30/2027		50,449,000	893,869	16,105,000	16,998,869	2.97
6/30/2028		51,962,470	614,931	16,385,000	16,999,931	3.06
6/30/2029****		$ 53,521,344	284,281	13,615,000	13,899,281	3.85
Total		$ 466,904,854	$ 20,271,035	$ 132,405,000	$ 152,676,035	

Maximum Annual Debt Service Coverage: 3.06

*Sales tax forecast provided by Avenu Insights & Analytics
**Debt service shown is cash basis
*** SMART's 2011A bonds were refunded in October 2020 with the Series 2020A bonds part of debt service is from 2011A bonds
****Sales tax expires 3/31/2029

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

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

Fiscal Year	Total Outstanding Debt	Personal Income	Population	Ratio of Debt to Personal Income	Total Debt Per Capita
2013*	$ 190,145,000				
2014	192,365,524	53,487,101,000	759,238	0.37%	253
2015	190,096,688	57,742,796,000	762,362	0.34%	249
2016	183,318,018	59,833,017,000	763,882	0.31%	240
2017	175,819,899	62,676,073,000	762,971	0.28%	229
2018	167,528,327	67,113,317,000	759,608	0.26%	216
2019	157,163,502	69,657,112,000	763,554	0.23%	206
2020**	$ 145,846,953	70,353,683,120	753,162	0.21%	$ 194

TOTAL DEBT SERVICE TO NON-CAPITAL EXPENSES

Fiscal Year	Total Debt Service	Non-Capital Expenditures Including Debt Service	Ratio Debt Service to Non-Capital Expenditures
2013*	$ 7,047,458	$ 14,713,553	48%
2014	8,456,950	16,613,756	51%
2015	8,456,950	18,415,414	46%
2016	12,996,950	26,740,014	49%
2017	13,600,350	33,710,422	40%
2018	14,204,100	40,704,021	35%
2019	16,095,850	46,089,431	35%
2020	$ 16,747,600	$ 47,767,685	35%

*Fiscal Year 2013 is the first full year SMART had outstanding debt service payments on Series 2011A bonds

**2020 Personal income amount estimated assuming 1% increase from prior year

Sources: Bureau of Economic Analysis, US Dept of Commerce; Series 2011A Bond; Table 3

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

Marin County

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2011	255,363	$ 22,741,276	$ 89,009	7.4%
2012	256,072	23,918,732	93,407	6.3%
2013	258,453	25,093,401	97,124	5.0%
2014	260,435	27,176,774	104,319	4.3%
2015	261,016	29,227,230	114,455	3.6%
2016	260,633	30,222,883	117,552	3.4%
2017	259,725	32,867,529	124,552	2.9%
2018	259,666	33,196,204	134,275	2.3%
2019*	258,826	36,684,680	141,735	2.3%
2020**	262,321	$ 37,051,527	$ 141,245	10.0%

Sonoma County

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2011	487,423	$ 22,356,767	$ 45,805	9.8%
2012	490,071	23,548,182	47,879	8.6%
2013	494,243	24,905,827	50,312	6.7%
2014	498,803	25,224,331	50,533	5.6%
2015	501,346	27,284,819	55,445	4.5%
2016	503,249	28,457,348	57,264	4.1%
2017	503,246	30,343,873	60,286	3.4%
2018	499,942	30,647,311	64,501	2.7%
2019*	494,336	32,972,432	66,700	2.7%
2020**	488,863	$ 33,302,156	$ 68,122	11.4%

*2019 Most recent complete data available
**2020 Personal Income and Per Capita Personal Income estimated based on one percent increase from previous year

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

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

Marin County 2021

Employer	Number of Employees	Percent of Total Employment**
County of Marin***	2,099	1.67%
Kaiser Permanente San Rafael Medical Center***	2,059	1.64%
BioMarin Pharmaceutical	1,663	1.33%
San Quentin State Prison	1,543	1.23%
Marin General Hospital***	1,279	1.02%
Glassdoor	970	0.77%
Novato Unified School District	800	0.64%
Autodesk	765	0.61%
San Rafael City Schools	650	0.52%
Marin Community Clinics	594	0.47%
Dominican University of California	394	0.31%
Novato Community Hospital	375	0.30%

Sonoma County 2021

Employer	Number of Employees	Percent of Total Employment**
County of Sonoma	3,851	1.58%
Kaiser Permanente	3,015	1.23%
Graton Resort and Casino	1,942	0.79%
Santa Rosa School District	1,576	0.64%
Keysight Technologies	1,500	0.61%
Providence - Sonoma County	1,476	0.60%
Sutter Santa Rosa Regional Hospital	1,200	0.49%
Safeway, Inc***	1,200	0.49%
Jackson Family Wines	1,070	0.44%
City of Santa Rosa	1,091	0.45%
Oliver's Market	827	0.34%
Santa Rosa Junior College	719	0.29%

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

*The "9 Years Ago" data unavailable, SMART records began 2013
**Percent of Total Employment reflects September 2021 employed, calculated using California Employment Development Department data
***Utilized 2020 data, 2021 data not available

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

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

OPERATING STATISTICS

Fiscal Year	Ridership	Fare Revenue	Average Fare	Revenue Vehicle Hours	Revenue Vehicle Service Miles
2020-21**	122,855	$706,938	$5.75	24,496	404,011
2019-20*	567,103	$3,090,458	$5.45	28,993	821,415
2018-19	716,847	$4,094,540	$5.71	32,560	923,002
2017-18	636,029	$3,315,274	$5.21	43,959	766,833

FARE INFORMATION***

Daily Fares By Zone	1 Zone	2 Zones	3 Zones	4 Zones	5 Zones	Daily Max
Adult Fare	$1.50	$3.00	$4.50	$6.00	$7.50	$15.00
Seniors, youth, and disabled	$0.75	$1.50	$2.25	$3.00	$3.75	$7.50

Passes	Adult	Discount
31-Day Pass	$135	$67.50

*2018-19 is the first full year of service

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

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

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

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Sonoma-Marin Area Rail Transit District (District), California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated November 4, 2021 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
November 4, 2021