



BOARD OF DIRECTORS REPORT

MEETING DATE: DECEMBER 9, 2025 **AGENDA ITEM:** 7

TYPE: INFORMATIONAL

PREPARED BY: DIRECTOR OF FINANCE & ADMINISTRATION NANCY TILLIE

REVIEWED BY: GENERAL MANAGER JERRY ESTRADA

SUBJECT: **FY24-25 AUDITED FINANCIAL STATEMENTS AND REPORTS**

RECOMMENDATION:

Staff is recommending the Board receive the attached draft FY24-25 Audited Financial Statements and Reports.

DISCUSSION:

Attached are the draft audited Financial Statements and Required Supplementary Information as of and for the Fiscal Years Ended June 30, 2024 and 2025. The reports have been reviewed by Management Staff of Santa Barbara Metropolitan Transit District (SBMTD) who represent that the information provided is correct to the best of their knowledge. The audit was carried out by Vasquez & Company LLP and the audit results will be presented to the Board by Roger Martinez, the Partner in charge of the audit. Although the report is in draft form, there are not expected to be material changes.

The determination of whether the financial statements of an entity accurately represent its financial position is one of the main purposes of a financial audit. The Independent Auditor's Report is still in process, although there have not been any findings thus far. It is anticipated that the audit will be complete by December 31, 2025.

ATTACHMENTS:

Attachment 1: Financial Statements & Required Supplementary Information
Attachment 2: PowerPoint Presentation by Vasquez+Company LLP

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**Santa Barbara Metropolitan Transit District
Financial Statements and
Required Supplementary Information
*As of and for the Fiscal Years Ended June 30, 2025 and 2024
With Independent Auditor's Report***

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FINANCIAL SECTION

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This *Management's Discussion and Analysis for Fiscal Year 2024-25* provides a narrative and analytical overview of the financial activities of the Santa Barbara Metropolitan Transit District (the District). It is an important element of this audit report meant to provide greater understanding and insight into the financial statements. The District's basic financial statements are prepared using proprietary (enterprise) fund accounting. The District operates under one enterprise fund with an economic resources measurement focus using an accrual accounting basis. Revenue is recorded when earned and expenses are recorded when incurred.

Financial Reports

There are four basic financial statements included in this audit report followed by notes to the financial statements. *Compliance Reports*, a separate but integral part of the financial audit, provides certain supplementary information required by state and federal regulations, and the Government Accounting Standards Board (GASB). The financial statements include the following:

- The *Statements of Net Position* present information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is by definition the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources.
- The *Statements of Revenue, Expenses, and Changes in Net Position* report the District's operating and capital revenue less operating expenses to determine the change in net position. It reconciles with the ending net position shown on the *Statements of Net Position*.
- The *Statements of Expenses* provide a more detailed breakdown of the operating costs included in the *Statements of Revenue, Expenses and Changes in Net Position*.
- The *Statements of Cash Flows* report cash and cash equivalent activities resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The net result of these activities, added to the start of the year cash balance, agrees with the year-end cash and cash equivalents balance.

Financial Summary

The District experienced a rather normal and customary Fiscal year in 2025. Although service and ridership levels remain below pre-pandemic figures, the payroll as of June 30, 2025, included 133 operators for the first time since 2021. Additionally, key positions in Human Resources, Planning, and Administration have been filled. Price increases leveled out, with the inflation rates hovering around 3%. The impact of tariffs have begun to show and in particular with increases in bus parts costs. Even though tariffs were in effect for the latter five months of the year, the increases in bus parts was 7.5% over the year.

The expense budget assumptions included cost levels slightly below inflationary levels, conservative increases in collection of fares, slight changes to the service plan, as well as filling several vacancies. Overall, the District's financial position was better than anticipated, with a deficit for the period of \$2.8 million – \$2.6 million less than budgeted. Total Revenues were approximately 1% more than budgeted and in particular Grant and Subsidy revenue. Sales tax receipts were higher than anticipated by 2%, and expenses ended up being 10% less than anticipated, due to staff vacancies and the 18-month fixed price fuel contract. As in previous years, the operating deficit was balanced with federal relief funding.

Ridership per Revenue Hour has returned to 94% of pre-pandemic levels. The restoration of some previously reduced services was made possible by the recruitment of operators through targeted strategies; The restoration of Service Hours for the Santa Barbara City College (SBCC) and University of California, Santa Barbara (UCSB) Express services between the schools, restatement/reconfiguration of the Isla Vista Shuttle Service, the launch of a Microtransit pilot program in the City of Goleta and a portion of Isla Vista, a reconfigured Downtown-Waterfront Shuttle temporarily reinstated since the Pandemic, restructuring some services for increased on-time performance. Federal COVID-19 relief funds have continued to mitigate the fiscal impacts of a financial imbalance.

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The *Net Position* of the District at June 30, 2025, which measures the amount that assets and deferred outflow of resources exceed liabilities and deferred inflows of resources, was \$56.7M, up 3% for the year. This change is based on the capital activities and the deferred inflows and outflows^[1] for the year. The receipt of Coronavirus Aid, Relief, and Economic Security (CARES) Act operating assistance funding balanced the operating budget. Without additional funding, the District would have incurred a \$2.8M operating deficit, that would have reduced the District's net position. This *Management's Discussion and Analysis for Fiscal Year 24-25* will further review this outcome as well as discuss the District's future financial outlook.

^[1] Deferred inflows and outflows reflect adjustments to the District's retiree health benefit liabilities.

Statements of Net Position

	<u>2025</u>	<u>2024</u>
	(thousands of dollars)	
Assets		
Current assets	\$ 19,371	\$ 19,653
Non-current assets, excluding capital assets	3,903	3,594
Capital assets	46,121	44,763
Total assets	<u>69,395</u>	<u>68,010</u>
Deferred outflows of resources	<u>431</u>	<u>567</u>
Total assets and deferred outflows of resources	<u>\$ 69,826</u>	<u>\$ 68,577</u>
Liabilities		
Current liabilities	\$ 3,297	\$ 4,187
Non-current liabilities	8,828	8,436
Total liabilities	<u>12,125</u>	<u>12,623</u>
Deferred inflows of resources	<u>949</u>	<u>1,109</u>
Net Position		
Net investment in capital assets	45,604	43,945
Unrestricted	11,148	10,900
Total net position	<u>56,752</u>	<u>54,845</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 69,826</u>	<u>\$ 68,577</u>

The \$1.9 million increase in the District's *Net Position* was the result of increase in the District's assets, namely the investment into capital for the projects previously mentioned. The table above is a simplified version of the *Statements of Net Position* on page 16 of this audit report.

Assets – The \$69.8 million in *Total Assets & Deferred Outflows* on June 30, 2025, represents a 2% increase from the prior year. *Current Assets*, comprised mainly of cash, receivables, and inventory declined 4% from the FY23-24. Use of Cash for the Capital Projects and Operations accounted for the \$.7M decrease. *Non-Current Assets*, excluding capital assets, increased \$0.5 million as advance grant funds received from UCSB cash restricted for future capital improvements in the amount of \$0.1 million along with \$0.7 million in Low Carbon Transit Operations Program (LCTOP) funds allocated for the Microtransit Program, net of uses of restricted for the Microtransit project and Downtown Waterfront Electric Shuttle of \$0.4 million. These numbers include the interest earned in the funds.

The \$46.3 million value of the District's Capital Assets (net) represented a \$1.5 million increase from the start of FY24-25. This is reflective of the Capital Projects in process net of asset disposals and depreciation. A description of the year's asset acquisitions is found later in this review.

Liabilities – In FY24-25, the District experienced a 5% decrease in Total Liabilities & Deferred Inflows to \$13.0 million from \$13.7 million. The decrease was driven by several factors. Current Liabilities, which include accounts payable and liabilities due within one year, saw a notable decrease. Accounts Payable decreased by \$0.9 million, primarily due to Terminal 1 & Terminal 2 construction projects nearing completions. Non-Current Liabilities saw a 5% increase, primarily due to the increase on Advance on Grants. Long-term Capital Lease Liability reduced by \$0.3 million, as another year of the lease was paid down. The OPEB Liability was reduced by \$0.1 million, following an updated actuarial assessment. The OPEB retiree health benefit obligation is elaborated upon below.

Net Position – The total net position of the District increased by 3% to \$56.7 million from \$54.8 million in FY23-24. The first component is Net Investment in Capital Assets of \$45.8 million, representing the capital funding used for the District's capital assets adjusted for the accumulated depreciation expense. The District's year end Unrestricted Net Position balance was \$10.9 million, which is the same as year. Changes to Unrestricted Net Position correspond to operating surpluses and deficits. The operating budget was balanced from the receipt of COVID-19 Federal Subsidy funding. Unrestricted Net Position is representative of the Current Assets that are not dedicated to specific purposes or liabilities and is the source of District cash reserves.

Statements of Revenues, Expenses and Changes in Net Position

The emphasis of the *Statements of Revenues, Expenses and Changes in Net Position* is to show how all revenues and expenses lead to the change in *Net Position* for the year. It differs from a typical income statement in that it includes capital revenues.

	<u>FY2025</u>	<u>FY2024</u>	<u>Change</u>
	(thousands of dollars)		
Revenues			
Fare revenue	\$ 4,980	\$ 5,022	-1%
LTF sales tax revenue	10,257	10,280	0%
Federal operating grants	8,687	6,951	25%
Measure A sales tax revenue	2,908	3,039	-4%
Other operating subsidies	1,579	1,395	13%
Property tax revenue	1,871	1,783	5%
Non-transportation income	736	685	7%
Total operating revenues	<u>31,018</u>	<u>29,155</u>	6%
STA capital revenue	1,291	350	269%
Federal capital grants	2,250	8,121	-72%
Measure A capital revenue	1,156	802	44%
Other state capital funds	2,551	3,967	-36%
Total capital revenue	<u>7,248</u>	<u>13,240</u>	-45%
Total revenue	<u>38,266</u>	<u>42,395</u>	-10%
Expenses			
Route operations	18,165	16,861	8%
Vehicle maintenance	6,174	6,122	1%
Passenger accommodations	1,924	1,909	1%
General overhead	4,641	4,073	14%
Total operating expenses before depreciation and amortization	<u>30,904</u>	<u>28,965</u>	7%
Depreciation and amortization	5,433	4,835	12%
Total operating	<u>36,337</u>	<u>33,800</u>	8%
Loss on disposal of assets	(25)	35	-171%
Other post-employment benefit adjustment	47	126	-63%
Total non-operating expenses	<u>22</u>	<u>161</u>	-86%
Total expenses	<u>36,359</u>	<u>33,961</u>	5%
Change in net position	1,907	8,434	-70%
Net position, beginning of year	54,845	46,411	18%
Net position, end of year	<u>\$ 56,752</u>	<u>\$ 54,845</u>	3%

Operating Revenue – The collection of fares remained fairly constant during the past fiscal year. As mentioned previously, ridership per Revenue Hour has returned to 94% of pre-pandemic levels. Fare Revenues were \$0.150 million under the budget in FY24-25, due to the delayed start of Microtransit and 10-Ride bus Passes short from the collections of the FY 23-24 by approximately \$0.042 million. Grants and appropriations represented 90% of total operating revenue during the period.

Transportation Development Act (TDA) Sales Tax Revenue (Local Transportation Fund, (LTF) Sales Tax Revenue fell by \$0.03 million from the FY23-24. The *Federal Grants* amounts decreased to match the appropriate level for grant funded Capital projects this year: Terminal 1 and Terminal 2 Construction. *Measure A Sales Tax Revenue* decreased due to decrease sales tax related spending. *Non-Transportation Income* represents increased advertising and interest income. The District benefitted from higher interest rates on cash and investments due to the Federal Reserve inflationary control rate hikes.

LTF Sales Tax Revenue provided \$10.3 million in sales tax subsidies to support operations. *Measure A Sales Tax Revenue*, of \$3.0 million derived from locally generated sales tax receipts, performed \$0.063 million or 2% over budget, and surpassed the total collected in FY23-24. As collection of sales tax revenue lags, the growth was as a result of payments made from the prior fiscal year for collections and reconciliations of sales taxes by the State of California. Consumer sales tax related spending was down during the fiscal year.

Federal Operating Grants from the Federal Transit Administration provided \$8.6 million which was comprised of Section 5307 formula operating assistance, and \$3 million in CARES Act funds to cover the operating shortfall. Another \$0.01 million was reimbursed from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) for the Contactless Payment program. These funds were used to pay for added operating costs associated with the Pandemic and defray revenue losses in order to balance the budget. Further discussion of these federal sources is included in the *Financial Outlook* at the end of this financial review.

Other Operating Subsidies substantially increased relative to FY23-24. Growth of 13% to \$1.5 million as service was added compensation for restoring the reduced services to subsidized Lines 12x/24x and Line 28 due to Driver shortages at the end of FY21-22, which led to additional Operating Subsidy. Additionally, the Microtransit Program and the Downtown Waterfront Electric Shuttle are paid from grants within this category.

Property Tax Revenue of \$1.8 million reflected a 5% growth from the previous fiscal year, with the continued escalation in real property values. The proceeds surpassed the budgeted amount by \$0.07 million or 3%. To date, this source of revenue has remained impervious to the ill effects of any effects on the local economy.

Capital Revenue – The year's \$6.5 million in capital asset acquisitions are not included in the *Statements of Revenues, Expenses and Changes in Net Position* and are discussed separately under the *Capital Assets* section. The statement does include the revenue sources funding the FY24-25 acquisitions.

These included State Transit Assistance, Federal Capital Grants, Measure A, and other state capital funds. State Transit Assistance (STA) funds, from diesel fuel sales tax and vehicle license fees contributed \$1.2 million; Federal Capital Grants totaled \$2.25 million, for the Terminal 2 Recommissioning Construction. The State of California, Transit Inter-City Rail Capital (TIRCP) Program proceeds were utilized for the Terminal 2 Recommissioning as well as procurement of Transit Priority Signal infrastructure. The local sales tax support from Measure A was \$1.1 million. The remainder was filled with various local grants for specialized projects.

Operating Expenses – The District expended \$31.0 million for the provision of transit service during FY24-25. Overall Expenses increased 7% commensurate with increases in Staffing Costs and filling vacant staff positions. Wages were increased at July 1, 2024, and at January 1, 2025 for non-represented staff, based on a Board approved Collective Bargaining Agreement from July 1, 2022 through June 30, 2025 and a Staff Compensation Study, October 2022. *Vehicle Maintenance* has sustained expenses due to a leveling out of fuel costs. A fixed contract at the rate of \$2.7625 was in effect from July 1, 2024 through December 31, 2024. A Public Solicitation, Invitation to Bid (IFB) produced a fixed term contract placed into effect at January 1, 2025 through June 30, 2026, at the rate of \$2.49 per gallon; a 9% reduction in fuel pricing. Lastly, the Other Post- Employment Benefits (OPEB) Liability Adjustment was decreased as a result of an actuarial audit review.

Service Level – In FY21-22 due to a shortage of bus operators, services were reduced by 12.9%. Even though ridership on a Revenue Hour basis attained 94% of pre-pandemic levels, the service level was 7% less than the budget plan. Until FY23-24 vacancies in operator positions would not permit service restoration. In August 2023, Line 28 (8 hours of 18 min headways on weekdays) service was increased due to high demand. It is UCSB funded. Line 19x New Caltrans/SBCAG funded service, between Carpinteria and Santa Barbara City College serving also the Eastside/Westside of Santa Barbara, was initiated. Lines 6/11/23/25 adjustments Routing change and minor schedule adjustments were made for service efficiencies. In August 2024, an increase of 3,869 Service Level hours included the restoration of Service Hours for the Santa Barbara City College (SBCC) and University of California, Santa Barbara (UCSB) Express services between the schools, restatement/reconfiguration of the Isla Vista Shuttle Service, the launch of a Microtransit pilot program in the City of Goleta and a portion of Isla Vista, a reconfigured Downtown-Waterfront Shuttle temporarily reinstated since the Pandemic, and restructuring some services for increased on-time performance. Operating expenses were \$2.3 million (7%) less than expected over a number of categories driver wages and benefits, fuel, lubricants, tire leasing, and other variable costs.

Employment Level – Since FY20-21 SBMTD experienced a sizeable loss of drivers from attrition and retirements exacerbated by the DMV's suspension of new driver testing during the pandemic. Even with intensive recruitment efforts, the District was unable to reach the goal of 135 FTE for drivers. There is still an industry-wide and local labor shortage impacting not only drivers, but positions in several areas of the organization. Fringe benefits are driven by the employment level (e.g., pension and health costs), thus keeping operating costs from reaching the budget projection. Employment levels ended below the budgeted amount as a result of the pandemic therefore, while there was some service restoration, services were not fully restored in FY24-25. At the end of the fiscal year, there were 133 operators on staff. Most of the other District vacancies were filled during fiscal year 24-25, however the positions were budgeted from the beginning of the fiscal year and hirings after July 1, 2024, were the reason these costs are under the budgeted expense.

Hiring & Training – Costs increased \$0.1 million over the FY23-24; due to the number of operators hired during the year. At 133 Operators, this a great improvement from the less than 110 from the past four years.

Risk & Safety – Supervisor costs pertaining to Risk & Safety have increased 13% over the past year. While insurance coverage costs have increased, they were offset by a reduction in Professional Services and \$0.5 million reduction in incident payouts including prior year reserves relative to FY23-24. The predominant factors were lower claim reserves for the current year and a downward adjustment in reserves for events occurring prior to FY24-25.

Bus Fuel – The renewable diesel contract at July 1, 2024, the start of the fiscal year was \$2.7625/gallon. A Fixed rate Renewable Diesel Contract was entered into effective January 1, 2025 through June 30, 2026 for \$2.49/gallon. This aided in keeping Vehicle Maintenance costs in check.

Non-Operating Expenses – Non-operating costs are comprised of transactions not directly related to the District's normal business activities. The largest element is *Capital Asset Depreciation*, which represents the allocation of an asset's cost over its expected useful life. *Loss on Disposal of Assets* corresponds to the undepreciated portion of fixed assets retired before the end of their estimated lives. The *OPEB Liability Adjustment* reflects the annual change in the actuarially based retiree health benefit liability, considered an Other Post Employment Benefit (OPEB). OPEB is discussed in greater detail in a separate section later in this review.

Budget Analysis

For purposes of analysis, Federal Coronavirus Supplemental funding used to offset the operating deficit and the actuarial based annual OPEB adjustment are not included in the budget variance table on the following page.^[1] The operating deficit of \$2.8 million was lower than the budget projection of a \$5.4 million shortfall. The outcome was achieved through greater revenue and fewer expenses than estimated. As discussed in the comparison to prior year results, a reduced staffing level, and growth in sales tax and federal operating subsidies contributed to the majority of the smaller deficit. FTA grant funds resulted in an additional \$3.0 million of FTA operating revenue for the year, over the budgeted amount, a level which is not expected to continue. As previously mentioned, the CARES Act Grant funding covered the shortfall.

^[1] Relief funding and OPEB expense are not included in the budget considered by the Board.

FY 24-25 Operating Budget Variance*
(thousand of dollars)

	Actual	Budget	Variance
Revenues			
Fare revenue	\$ 4,980	\$ 5,133	-3%
LTF sales tax revenue	10,257	10,240	0%
Federal operating assistance	8,687 *	5,194	67%
Measure A sales tax revenue	2,908	2,845	2%
Other operating subsidies	1,579	1,875	-16%
Property tax revenue	1,871	1,801	4%
Non-transportation income	736	589	25%
Total revenues	31,018	27,677	12%
Expenses			
Route operations	18,165	18,368	-1%
Vehicle maintenance	6,174	7,234	-15%
Passenger accommodations	1,924	2,409	-20%
General overhead	4,641	5,074	-9%
Total expenses	30,904	33,085	-7%
Operating income/(deficit)	\$ 114	\$ (5,408)	

* CARES Act funding and annual OPEB adjustment excluded for budget analysis.

Operating Revenue Budget – Fare Revenue collection was below the projection for the year by \$0.150 million. The ridership per Revenue Hour grew to 94% of pre-pandemic levels from the previous fiscal year. Conservatively, the fare income was budgeted at nearly what the actual collection was from the prior year. Reductions in the sales of 10-Ride Passes and the delay of the Microtransit Service start were the reasons for the shortfall. *LTF Sales Tax Revenue* and *Measure A Sales Tax Revenue* topped the budget by 2%. Due to the levelling off of retail sales and inflation holding there was very little increase at all in the current year payment. The increase was attributable to the previous year's payment collection and reconciliation at the State. *Federal Operating Assistance* of \$5.1 million was anticipated, however additional Federal support to the District covered the Operating deficit of \$2.8M. Mentioned earlier, *Property Tax Revenue* growth continued during the year leading to a 3% increase from the budgeted amount. Housing prices continued to rise as demand outpaced inventory.

Operating Expense Budget – Total operating expenses of \$31 million were 10% less than estimated. Again, the staff vacancy level was the greatest factor in the budget variance just as it was for the prior year differential. In this case, the 174,626 revenue hours provided were 3% below the 180,561 hours budgeted. Thus, the various direct costs of providing transit were held below forecasted levels. Additionally, fuel cost savings were \$0.385 million or 19% less than budgeted. The District had faced a labor shortage as many in the Transit Industry and locally. Vacancies were difficult to fill although recruitment efforts continue. Workers' compensation costs were also well below budget due to the downturn in claim payouts and reserves previously discussed. Even though there were significant variances in staff salaries, a positive trajectory in hiring and filling vacancies continued throughout the year.

Capital Assets

Capital assets with a value of \$6 million were acquired in FY24-25. A breakdown by asset category follows below.

Capital Acquisitions (thousand of dollars)

<u>Asset Category</u>	<u>FY2025</u>	<u>FY2024</u>
Revenue vehicles	\$ 1,290	\$ 10,693
Passenger facilities	-	26
Property development	-	53
Non-revenue equipment	173	108
IT and security systems	238	16
Operating facilities	4,788	1,943
Intelligent transportation systems	38	257
Total capital acquisitions	\$ 6,527	\$ 13,096

Revenue Vehicle capital outlays included the acquisition of five (5) Gasoline Powered Ford Transit 350 EL Vans for the Microtransit program. These vehicles will insure the Microtransit Services can begin in Goleta with the future plan of expansion to Carpinteria. Bus refurbishments totaling approximately \$.880M for fleet repair are included in this line item as well. The 3-Position Bicycle Racks were installed across the fleet.

Passenger Facility improvements consists of the renovation of three (3) Bus Stops, all in Goleta. The refurbishment took place at two (2) Bus Stops at the Santa Barbara Airport and one (1) on Hollister Avenue near the Santa Barbara Foodbank. The structures were reinforced, re-roofed, painted, benches replaced, and solar powered security lighting installed. The facilities will be completed in FY25-26.

Property Development efforts for the Calle Real Property Development continued as the Board of Directors approved an option to develop the property with Con Am, LLC.

Non-Revenue Equipment refers to non-passenger vehicles for operations, Shop equipment, Office furniture and equipment. During FY24-25 two (2) Service Vehicles that had reached their useful lives were replaced with 2025 Toyota Camry sedans. IT Systems & Support replaced laptop computers for various departments with the sunset of Windows 7. The Shop acquired four (4) Column Lifts and replaced two of the Bay Doors for the Maintenance building. Remaining funds covered some small repairs and improvements at Terminal 1.

Operating Facilities capital investments included the Terminal 2, Phase I Construction which will be completed at the beginning of FY25-26. Also provided for in this category, the Terminal 2 Phase II Planning and Construction drawings in progress, the completion of the Charge Ready Bridge Project electrification improvements at Terminal 1 in preparation for the electric vehicle charging Project, known as Haley Canopy Zero Emissions Vehicle(ZEV) Improvement Project.

The bulk of *Intelligent Transportation Systems* outlays was for the Upgrade to the Clever Devices on premises Computer Aided Dispatch (CAD)/Automated Vehicle Locator (AVL) for the Transportation system. There were some additional Contactless Fare Payment System Equipment enhancements.

Other Postemployment Benefits (OPEB)

The District provides retiree health benefits to employees meeting certain employment criteria. For a comprehensive review of the Other Post-Employment Benefits (OPEB), see Note 14 of these Financial Statements. Per government accounting standards, a liability for the present value of future OPEB financial obligations is recorded in the *Statements of Net Position*. At the end of FY24-25, the OPEB liability was \$2.8 million, a 4% increase from the prior year. The reason for the higher liability comes as result of projected healthcare rate increases.

To pay for future OPEB obligations, the District established an irrevocable trust in 2017, which was funded with \$1.5 million in the first two years. The estimated value of the OPEB trust at year end, including investment earnings, was \$1.7 million. Reducing the \$2.7 million liabilities by the trust funds, the net OPEB liability was \$0.9 million, as shown on the *Statements of Net Position*.

Financial Outlook

Continued interest in restored and additional public transit service has been received from throughout the region, such as to Santa Barbara's Downtown and Waterfront, Carpinteria, SBCC, Goleta Library, and more, the need to fill vacant bus operator positions is still clear. With reductions in inflation, Sales Tax appears to be slowing and expenses will need to respond, accordingly. Additional sources of revenue are being explored.

Residual effects of the COVID-19 pandemic are still impacting the District. Even though ridership per Revenue Hour on Santa Barbara County's South-Central Coast has returned to 94% of Pre-Pandemic levels, there continues to be challenges around financial planning with increased costs and revenue levels remaining the same or dropping. A \$4.9 million operating deficit is projected for FY25-26. Costs have increased in labor and supplies. The inflation rate appears to be within 3%. Although continuing deficits are expected in the near term, there are some available federal resources for support. A Short-Range Transportation Plan was completed which has provided framework upon which to build upon.

Federal Relief Funding – The District has been allocated federal economic relief funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan Act of 2021 (ARPA). For public transit, these funds are limited to covering operating and capital expenses incurred and revenues lost as a result of the pandemic. The allocations are intended to provide financial assistance for the duration of the economic fallout of the pandemic, expected to span several more years. The District has been allocated a combined \$36.7 million from the three bills. The balance remaining at June 30, 2025, is \$22 million. The funds provide support for all South Coast public transit operations and included allocations to Easy Lift for paratransit services as needed. During FY 24-25, the use of \$3 million of the relief funding was required to defray pandemic-related losses and health and safety improvements.

Fare Revenue –In the Fall of 2024, the District embarked upon a Fare and Service Fee Equity Analysis, which led to a Fare increase; the first in over 14 years. The base Fare increased from \$1.75 to \$2.50. It is anticipated that collection on buses and pass sales will improve the District's revenue in the future, however the increase is not nearly enough to make up the Federal Small Transit Intensive Cities (STIC) funding loss of \$3M year at the current service level. Fare contracts with SBCC and UCSB for free student boarding are in effect and have been updated and ratified. Ridership per Revenue Hour is at 94% of the Pre-Pandemic level. Cash fares and pass sales are up to 70% of pre-pandemic levels, which is higher than estimated. The reduction in the service level impacts fares (while also decreasing expenses). A Short Range Transit Plan Study was completed in FY 22-23 in order to assist in gauging

the community's needs and recommendations for fulfilling that obligation. Of course, the outcome from this fiscal year is providing insight into the future funding of public transit service on the South Coast.

Prior to the pandemic, the District's farebox return ratio was consistently above 25%. A better-than-expected fare collection took place in FY23-24. For FY24-25, the farebox ratio was projected at 18% based on the budget, although a better outcome than budget, was experienced. A condition for receipt of sales tax provided under the state's TDA is meeting a target farebox ratio that is dependent upon agency size. During the Covid-19 pandemic, the state suspended the minimum farebox ratio funding criteria until further notice.

Federal §5307 Funding – The District's \$5.6 million in FTA Section 5307 Urbanized Area Formula Program in FY24-25 was allocated through the first year of the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL). The District's §5307 apportionment no longer includes merit-based STIC program funds. Based on the changes in the Santa Barbara UZA described in the next paragraph, MTD will no longer be eligible as a Large UZA for STIC program funds. The District projects it will be able to spend the entire \$5.6M it will receive in future years as mentioned below.

Santa Barbara UZA – One of the main determinants of the District's Section 5307 formula funding apportionment is the population of the Santa Barbara urbanized area (UZA). This population is determined by the U.S. Census Bureau. The 2020 Census found that the Santa Barbara UZA population exceeds 200,000, therefore MTD transitioned from a "small" urbanized area to a "large" urbanized area. The result is the loss of the IIJA to nearly \$3.0 million, previously allocated to capital. Staff expect to be able to spend the allocation as prescribed:

Budgeted 5307 Revenue	\$ 5,552,219
50% Operating	
Between 76/100 buses in peak service	2,797,441
Maintenance	1,775,034
10% ADA Paratransit (Easy Lift)	559,488
Lease Payments	365,008
1% Public Transportation Security Projects	55,949
0.75% Safety Related Projects	41,962

Adjustments in FTA funding from the census results took effect FY23-24.

STA Funding – State Transit Assistance Funds (STA) allocated to the District each year are held in trust by the Santa Barbara County Auditor-Controller until needed. Although available for operating purposes under certain conditions, District practice is to use STA for capital expenses. As the District incurs costs for capital projects funded with STA, a request is submitted to the County for reimbursement. Under accounting standards, STA funds held in trust are not recognized in the District's financial statements. The District's FY24-25 STA allocation was \$3.6 million, while \$1.0 M was spent for capital projects during the period. This increased the STA balance held by the County to \$17.0 million. The District's five-year capital budget includes full use of this balance.

Collective Bargaining Agreement – District drivers, driver supervisors, mechanics, and service workers are represented by the International Brotherhood of Teamsters Local 186. A three-year collective bargaining agreement contract was expiring at the end of FY24-25. Negotiations began shortly before the fiscal year ended.

CARB ICT & ZEB Goal – In 2018, the California Air Resources Board adopted the Innovative Clean Transit (ICT) regulation requiring complete transition to zero emission bus (ZEB) fleets by 2040. To accelerate the elimination of District-generated greenhouse gas emissions, the Board has adopted a goal for a carbon-free fleet by 2030. While challenging, The District is making headway toward accomplishing the goal with nine (9) emission-free replacement buses received and an additional sixteen (16) on order with an increase in charging infrastructure capacity that will soon be completed.

EV Bus Acquisitions – With the receipt of Nine (9) New Flyer 40' Heavy Duty Zero Emission Buses, the District currently has 23 Electric buses in its fleet. An additional Sixteen (16) 40-ft. Gillig Zero Emission, battery-electric buses are on order, with delivery expected beginning in first quarter 2026 and continuing into mid-2026. MTD has secured approximately \$9.5 million in funds for these buses; The State of California's Transit and Intercity Rail Capital Program (TIRCP) is funding \$8.3M, State of California Cal Trans, 101 Solutions for Congested Corridors Program is funding the other 8 vehicles and charging equipment. Additional funding will be covered through a number of state and local programs. MTD was awarded grant funding for an additional two (2) 40' ZEVs from the FTA's 5339© Low and No-Emission Grants program, yet to be ordered. MTD also has ordered three electric vans for the new microtransit service funded through TIRCP.

Haley Canopy Zero(ZEV) Infrastructure Improvements – The project consists of installing ChargePoint charging equipment MTD has already procured. The charging equipment is comprised of (4) Power Blocks (DC fast charger cabinets) with (8) dispensers (6 dual-connector and 2 single-connector) for a total of (14) connectors. In addition, there are (3) single-connector Level 2 chargers. Electrical infrastructure upgrades and modifications are needed to accommodate the new charging equipment. There is also some structural and civil work required including new concrete housekeeping pads for the Power Blocks and support framing to affix some of the charging dispensers to an existing canopy building. Both wings of the electric vehicle canopy where the charging equipment will be deployed, and a separate structure in the transit yard, require lighting upgrades including new LED fixtures and control panels. The project also requires painting and new gutters/downspouts at designated areas of existing canopies and a fueling structure.

Also included in the scope is the installation of a mobile (cellular) signal repeater system at the electric vehicle canopies. An SCE Charge Ready Heavy-Duty program grant provided the onsite electrical capacity to install 14 new charge ports at Terminal 1. The District is responsible for the infrastructure to bring the power to the charging stations. This project is scheduled to start construction near the end of the 1st Quarter 2026 with completion estimated in third quarter of FY 2026. The facility will then have a total of 29 charge ports available to support the transition to zero emission buses.

Microgrid – The District was awarded a California Energy Commission grant to fund a plan for developing a microgrid at Olive Terminal. A microgrid would use solar arrays, energy storage batteries, and a power management system to maintain the District's bus charging infrastructure during power disruptions. The District engaged the services of CalStart and the City of Santa Barbara to assist in developing the plan. The plan was to be completed in FY23-24 and will be utilized as model for the future infrastructure for electrification.

Overpass Terminal Recommissioning – Construction work for the reopening of the District's Overpass Terminal in the City of Goleta is underway. One goal of the project is to accommodate the dispatch of up to 30 zero-emission buses at the site. Construction began in March 2024 and is expected to be completed September 2025. The Design for Phase II is in process and will be submitted to the City of Goleta for approval in the Fall of 2025.

Calle Real Development – During FY22-23, the Board of Directors approved an agreement for residential development of the District's Calle Real property with a Development Organization. The District property includes 19 acres of real estate north of Calle Real between Highway 154 and Turnpike Road.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's financials for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Manager, Santa Barbara Metropolitan Transit District, 550 Olive Street, Santa Barbara, CA 93101.

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FINANCIAL STATEMENTS

Santa Barbara Metropolitan Transit District Statements of Net Position

	June 30	
	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and investments	\$ 4,905,906	\$ 7,286,583
Grants receivable	12,554,682	10,623,256
Other receivable	26,193	113,091
Materials and supplies inventories	1,144,932	1,054,757
Other current assets	738,802	574,748
Total current assets	19,370,515	19,652,435
Noncurrent assets		
Cash and investments restricted for capital support	3,903,289	3,594,217
Capital assets:		
Tangible transit operating property	103,674,432	97,773,359
Right-of-use asset - Leases	2,174,252	2,174,252
Right-of-use asset - SBITAS	488,001	248,535
Less: Accumulated depreciation/amortization	(60,215,985)	(55,432,986)
Capital assets, net	46,120,700	44,763,160
Total noncurrent assets	50,023,989	48,357,377
Total assets	69,394,504	68,009,812
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to other postemployment benefits (OPEB)	431,316	567,484
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 69,825,820	\$ 68,577,296
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities		
Accounts payable	\$ 991,774	\$ 1,180,264
Accrued payroll	344,144	284,757
Accrued expenses	292,715	741,112
Unearned revenue	306,538	247,564
Claims liability - current portion	654,244	691,641
Compensated absences payable - current portion	656,052	700,759
Lease liability - current portion	52,110	301,977
Subscription liability - current portion	-	39,520
Total current liabilities	3,297,577	4,187,594
Noncurrent liabilities		
Compensated absences payable, net of current portion	667,335	666,814
Advances on grants	3,903,289	3,594,217
Claims liability, net of current portion	2,848,746	2,693,080
Net OPEB liability	929,690	945,919
Lease liability, net of current portion	464,425	516,535
Subscription liability, net of current portion	14,195	19,523
Total noncurrent liabilities	8,827,680	8,436,088
Total liabilities	12,125,257	12,623,682
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to other postemployment benefits (OPEB)	948,805	1,108,985
NET POSITION		
Net investment in capital assets	45,604,165	43,944,648
Unrestricted	11,147,593	10,899,981
Total net position	56,751,758	54,844,629
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 69,825,820	\$ 68,577,296

See notes to financial statements.

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Santa Barbara Metropolitan Transit District Statements of Revenues, Expenses, and Changes in Net Position

	Years ended June 30	
	2025	2024
OPERATING REVENUES		
Passenger fares	\$ 4,980,048	\$ 5,021,718
OPERATING EXPENSES		
Route operations	18,165,039	16,860,593
Vehicle maintenance	6,174,336	6,121,960
Passenger accommodations	1,923,988	1,908,606
General overhead	4,643,967	4,072,527
Postemployment health care benefits	46,542	126,142
Total operating expenses before depreciation and amortization	30,953,872	29,089,828
Depreciation and amortization	5,433,029	4,835,020
Total operating expenses	36,386,901	33,924,848
OPERATING LOSS	(31,406,853)	(28,903,130)
NONOPERATING REVENUES (EXPENSES)		
Non-transportation revenue, including interest, advertising, rent, and miscellaneous	736,344	684,647
Taxes levied by Santa Barbara County for the District	1,870,614	1,783,390
Transportation Development Act funding and allocations	10,256,754	10,280,260
Federal grants	8,687,051	6,950,715
Measure A grants	2,908,470	3,038,658
Miscellaneous grants	1,578,556	1,395,432
Loss on disposal of assets, net of proceeds	24,699	(34,655)
Interest expense	3,367	(2,690)
Nonoperating revenues, net	26,065,855	24,095,757
CAPITAL CONTRIBUTIONS		
Capital grants:		
Federal Transit Administration	2,249,990	8,121,409
State Transit Assistance	1,291,148	350,444
Measure A	1,156,049	802,145
Miscellaneous	2,550,940	3,966,790
Total capital contributions	7,248,127	13,240,788
CHANGE IN NET POSITION	1,907,129	8,433,415
NET POSITION		
Beginning of year	54,844,629	46,411,214
End of year	\$ 56,751,758	\$ 54,844,629

See notes to financial statements.

	Years ended June 30	
	2025	2024
LABOR		
Operators' wages	\$ 7,655,173	\$ 7,225,165
Other salaries and wages	<u>6,125,960</u>	<u>5,662,175</u>
Total labor	<u>13,781,133</u>	<u>12,887,340</u>
FRINGE BENEFITS		
Payroll taxes	1,204,063	1,132,797
Retirement plans	1,451,157	1,373,310
Health and welfare	3,934,878	3,572,530
Workers compensation	833,552	540,927
Sick pay	317,295	202,540
Holiday pay	476,351	448,235
Vacation pay	857,769	939,530
Other paid absences	184,008	168,474
Uniform and tool allowances	<u>39,306</u>	<u>40,997</u>
Total fringe benefits	<u>9,298,379</u>	<u>8,419,340</u>
SERVICES		
Professional and technical including directors' fees	507,362	457,558
Outside services	103,627	74,310
Contract maintenance services	988,548	982,145
Promotion and printing	<u>130,491</u>	<u>127,625</u>
Total services	<u>1,730,028</u>	<u>1,641,638</u>
MATERIALS AND SUPPLIES		
Fuels and lubricants	1,792,742	2,216,499
Tires and tubes	153,633	148,291
Bus parts	691,567	629,739
Other materials and supplies	269,372	255,898
Electric bus power	<u>134,331</u>	<u>79,015</u>
Total materials and supplies	<u>3,041,645</u>	<u>3,329,442</u>
UTILITIES AND TELEPHONE	<u>304,390</u>	<u>289,460</u>
CASUALTY AND LIABILITY COSTS	<u>1,260,234</u>	<u>1,039,775</u>
PURCHASED TRANSPORTATION	<u>1,249,881</u>	<u>1,263,658</u>
MISCELLANEOUS		
Dues and subscriptions	50,847	51,321
Travel, meetings and training	53,366	37,674
Other miscellaneous expenses	<u>182,165</u>	<u>130,180</u>
Total miscellaneous	<u>288,182</u>	<u>219,175</u>
Total expenses before depreciation and amortization	<u>30,953,872</u>	<u>29,089,828</u>
DEPRECIATION AND AMORTIZATION	<u>5,433,029</u>	<u>4,835,020</u>
TOTAL EXPENSES	<u>\$ 36,386,901</u>	<u>\$ 33,924,848</u>

See notes to financial statements.

	Years ended June 30	
	2025	2024
Cash flows from operating activities		
Receipts from transit customers	\$ 5,125,920	\$ 5,174,883
Payments to suppliers and vendors	(8,647,207)	(7,458,002)
Payments to employees/benefits	(23,104,552)	(21,183,332)
Net cash used in operating activities	(26,625,839)	(23,466,451)
Cash flows from noncapital financing activities		
Operating grants received	21,433,496	19,265,088
Non-transportation revenue, including advertising, rental, and miscellaneous	456,384	407,334
Taxes levied by Santa Barbara County	1,870,614	1,783,390
Net cash provided by noncapital financing activities	23,760,494	21,455,812
Cash flows from capital and related financing activities		
Acquisition of property and equipment	(6,864,374)	(13,191,423)
Proceeds from sale of assets	98,225	15,897
Payments made on leased vehicles	(301,977)	(284,434)
Payments made on SBITAs	(41,202)	(47,538)
State and local grant advances	309,072	794,502
Federal, state, and local capital grants received	7,314,036	14,817,081
Net cash provided by (used) in capital and related financing activities	513,780	2,104,085
Cash flows from investing activity		
Interest received	279,960	277,313
Net cash provided by investing activity	279,960	277,313
Change in cash and investments	(2,071,605)	370,759
Cash and investments, beginning of year	10,880,800	10,510,041
Cash and investments, end of year	\$ 8,809,195	\$ 10,880,800
Cash and investments	\$ 4,905,906	\$ 7,286,583
Cash and investments restricted for capital support	3,903,289	3,594,217
Total cash and investments	\$ 8,809,195	\$ 10,880,800

See notes to financial statements.

	Years ended June 30	
	2025	2024
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (31,406,853)	\$ (28,903,130)
Depreciation and amortization	5,433,029	4,835,020
Changes in:		
Other receivable, excluding grants	145,665	152,958
Materials and supplies inventories	(90,175)	56,162
Other current assets	(164,054)	(146,537)
Accounts payable and accrued expenses, net of capital acquisitions	(577,293)	1,165,903
Compensated absences payable	(44,186)	14,781
Claims liability	118,269	(681,329)
OPEB liabilities and related deferrals	(40,241)	39,721
Net cash used in operating activities	\$ (26,625,839)	\$ (23,466,451)

See notes to financial statements.

NOTE 1 **REPORTING ENTITY**

The Santa Barbara Metropolitan Transit District (the District), a government entity, was formed under the terms of the Santa Barbara Metropolitan Transit District Act for 1965, Part 9, of the California Public Utilities Code amended in 1967. The District provides local public transportation services to the metropolitan Santa Barbara area which encompasses the outlying communities of Goleta, Montecito, and Carpinteria.

The District is a special purpose governmental unit with no component units.

NOTE 2 **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District are in conformity with accounting principles generally accepted in the United States of America applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the significant accounting policies:

Basic Financial Statements

The basic financial statements (i.e., the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; the Statements of Expenses; and the Statements of Cash Flows) report information on the enterprise activities of the District. These basic financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements—Management’s Discussion and Analysis—for State and Local Governments*, and related standards; GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus 2017*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The standards provide for significant changes in terminology; recognition of contributions in the Statements of Revenues, Expenses and Changes in Net Position; inclusion of a Management’s Discussion and Analysis as supplementary information; and other changes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing transportation services. The principal operating revenues of the District are charges to passengers for transportation services (passenger fares). Operating expenses include the cost of providing service, including general and administrative expenses and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The accounting records of the District are subject to the uniform accounting system for transit districts as set forth by the Federal Transit Administration (FTA) and the California State Controller's Office.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

New Governmental Accounting Standards Board (GASB) Pronouncement

During the fiscal year ended June 30, 2025, the District implemented the following GASB Standards:

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, Compensated Absences, which establishes updated recognition and measurement guidance for leave benefits such as vacation, sick leave, paid time off, and other compensated absences. The objective of this Statement is to improve consistency and comparability in financial reporting by clarifying when and how liabilities for compensated absences should be recognized. The implementation of this new accounting standard resulted in recognition of additional compensated absence liabilities in the District's June 30, 2024, financial statements. See also Note 7.

GASB Statement No. 102

In December 2023, GASB issued Statement No. 102, Certain Risk Disclosures, which requires governments to disclose vulnerabilities arising from significant concentrations and certain constraints that could impact their ability to acquire resources or manage spending. The objective of this Statement is to improve transparency and provide users of financial statements with more relevant information about potential risks that could substantially affect a government's operations or financial position. The implementation of this statement did not have a significant impact on the District's financial statements.

Taxes

Taxes, including homeowners' property tax relief, are remitted from the Santa Barbara County Tax Collector. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1	
Levy Date	July 1 to June 30	
Due Date	November 1	(1st installment)
	February 1	(2nd installment)
Delinquent Date	December 10	(1st installment)
	April 10	(2nd installment)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes (continued)

Under California Law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the District based on complex formulas prescribed by state statutes.

Cash and investments

For purposes of the Statements of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

All investments are stated at fair value, except for certain designated money market investments that have a remaining maturity of less than one year when purchased which are stated at amortized cost. Money market investments are short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and Agency obligations. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investment income, including changes in fair value, is included in nonoperating revenues.

Restricted Uses of Cash

	<u>2025</u>		<u>2024</u>
LCTOP	\$ 3,054,687	\$	2,575,624
UCSB	848,602		721,807
Other Capital	-		296,786
	<u>\$ 3,903,289</u>	\$	<u>3,594,217</u>

Inventories

The inventories are composed of bus parts, fuels and lubricants and are valued at cost on a weighted-average basis.

Capital Assets

Capital assets are stated at cost, less accumulated depreciation computed on the straight-line method over the following lives:

Buildings	20 to 40 years
Buses and equipment	3 to 12 years
Office and shop equipment	5 to 10 years
Automotive equipment	3 to 5 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The District's policy is to capitalize all property and equipment with a cost greater than \$1,000 and a useful life of more than one year.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-to-Use Lease Assets

The District has recorded the right to use lease assets as a result of implementing GASB Statement No. 87, *Leases*. The right-to-use lease assets are initially measured at an amount equal to the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use lease assets are amortized on a straight-line basis over the term of the related leases or the useful life of the underlying assets, whichever is shorter.

Subscription IT Assets

The District has recorded subscription assets as a result of implementing GASB Statement No. 96, *SBITAs*, as of and for the years ended June 30, 2025 and 2024. The subscription assets are initially measured at an amount equal to the related subscription liability plus payments associated with the SBITA contract made to the SBITA vendor at the commencement of subscription term, if applicable, and capitalizable initial implementation costs less any SBITA vendor incentives received from SBITA vendor at the commencement of the subscription term.

A subscription asset should be amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. The amortization of the subscription asset should be reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes. Amortization should begin at the commencement of the subscription term.

Compensated Absences

The District accrues for vested vacation and sick pay when it is earned by employees. Regular full-time employees are entitled to accrue up to 5 weeks of vacation depending upon the employee's years of employment. Regular full-time employees are also entitled to accrue paid sick time up to a maximum of 80 hours per year. Accumulated unpaid vacation and vested sick leave pay are recorded as an expense and a liability at the time the benefit is earned.

Effective for fiscal years beginning after December 15, 2023, the District implemented GASB Statement No. 101, *Compensated Absences*. This Statement establishes a unified recognition and measurement framework for all types of compensated absences, superseding GASB Statement No. 16.

Under GASB 101, a liability for compensated absences is recognized for leave that:

- Is attributable to services already rendered by employees,
- Accumulates and may be carried forward to future reporting periods, and
- Is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Compensated Absences (continued)**

The types of leave subject to recognition include vacation, sick leave, paid time off (PTO), and certain types of holidays and sabbatical leave. Leave dependent upon sporadic events (e.g., parental, military, jury duty) or unlimited leave is excluded from recognition until the leave commences or is used.

Liabilities for compensated absences are measured using the pay rates in effect as of the financial statement date, including salary-related payments that are directly and incrementally associated with leave payments (e.g., payroll taxes).

	<u>2025</u>		<u>2024</u>
Vested Vacation Pay	\$ 975,937	\$	1,024,556
Vested Sick Pay	347,450		343,017
	<u>\$ 1,323,387</u>	\$	<u>1,367,573</u>

Claims Liability

The District's uninsured claims are accrued and charged to expense when the claims are reasonably determinable and the existence of liability is probable. The claims liability as of year-end includes an estimate for claims for worker's compensation that have been incurred but not reported (IBNR) as of year-end.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS.

For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Accounting principles generally accepted in the United States of America require that the reported results must pertain to liability and asset information within certain defined timeframes.

Deferred Inflows and Outflows of Resources

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statements of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and therefore are not recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and therefore, are not recognized as revenue until that time.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In the Statements of Net Position, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation/amortization and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount represents net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

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 certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Federal, State, and Local Subventions

Federal, state and local governments have made various grants and subventions available to the District for operating assistance and for various purposes connected with the planning, modernization, and expansion of transportation facilities and equipment. Grants for operating assistance, the acquisition of equipment or other capital outlay are not formally recognized in the accounts until the grant becomes a valid receivable as a result of the District's complying with appropriate grant requirements. Operating assistance grants are included in nonoperating revenues in the year in which the related expenses are incurred. Revenues earned under capital grants are recorded as capital contributions.

New Accounting Pronouncements, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements, that have effective dates that may impact future financial presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statements of the District.

GASB Statement No. 103 – Financial Reporting Model Improvements. Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District will implement this statement when and where applicable.

GASB Statement No. 104 – Disclosures of Certain Capital Assets. Effective Date: For fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District will implement this statement when and where applicable.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.

NOTE 3 CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

	<u>2025</u>	<u>2024</u>
Statement of Net Position:		
Cash and investments	\$ 4,905,906	\$ 7,286,583
Cash and investments restricted for capital support	<u>3,903,289</u>	<u>3,594,217</u>
Total cash and investments	<u>\$ 8,809,195</u>	<u>\$ 10,880,800</u>

Cash and investments as of June 30, 2025 and 2024 consist of the following:

	<u>2025</u>	<u>2024</u>
Cash on hand	\$ 41,090	\$ 41,090
Deposits with financial institutions	4,218,899	4,547,090
Investments - LAIF	<u>4,549,206</u>	<u>6,292,620</u>
Total cash and investments	<u>\$ 8,809,195</u>	<u>\$ 10,880,800</u>

The District does not have a formal Investment Policy. The District is subject to state laws, codes and regulations regarding the investment of public funds.

Demand Deposits

As of June 30, 2025 and 2024, the carrying amount of the demand deposits were \$4,218,899 and \$4,547,090, respectively, and the bank balances were \$4,452,215 and \$4,793,115 , respectively, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the District's name as discussed under Custodial Credit Risk. Certain cash accounts are pooled and swept nightly to a concentration account.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Collateral is held by the pledging financial institution's trust department and is considered held in the District's name. The District may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The District has \$250,000 that is insured by the FDIC as of June 30, 2025. The remaining portion of the deposit with financial institution at June 30, 2024, of \$4,202,215, is collateralized as described above.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 District's investment in LAIF at June 30, 2025 and 2024 was not rated.

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 (e.g., broker-dealer) 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 does not contain legal or policy requirements that would limit the District's exposure to custodial credit risk for deposits or investments, except that the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law.

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All of the District's investment funds are held in two financial institutions, US Bank (Bank) and the State of California's Local Agency Investment Fund (LAIF). All of these funds are insured or collateralized. The Bank funds are collateralized by the Bank's trust department but not in the District's name.

Local Agency Investment Funds (LAIF)

The District is a voluntary participant in the California State Treasurer's LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

LAIF investments include the following:

- Structured Notes – debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Local Agency Investment Funds (LAIF) (continued)

- Asset-Backed Securities – entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs), small business loans or credit card receivables.

LAIF is overseen by the Local Investment Advisory Board which consists of five members, in accordance with State statute.

The District had \$4,549,206 and \$6,292,620 invested in LAIF, at June 30, 2025 and 2024, respectively. They were invested in the pooled investment funds in structured notes and asset-backed securities at 3.00% and 2.38% at June 30, 2025 and 2024, respectively. The LAIF fair value factor of 1.001198310 and 0.996316042 at June 30, 2025 and 2024, respectively, was used to calculate the fair value of the investments in LAIF. The financial statements for LAIF are available at <http://www.treasurer.ca.gov/pmia-laif/laif.asp>.

Fair Value Measurements

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 the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments in LAIF totaling \$4,549,206 and \$6,292,620 as of June 30, 2025 and 2024, respectively, are measured at amortized cost, which approximates fair value.

NOTE 4 GRANTS RECEIVABLES

Grants receivable at June 30, 2025 and 2024 are summarized as follows:

	2025	2024
Central Coast Community Energy 3CE	\$ -	\$ 400,000
Federal Transit Administration	5,701,806	7,178,802
Santa Barbara County - Measure A	2,219,687	1,272,240
Santa Barbara County - TIRCP	1,879,699	450,951
State of California - LTF	828,890	781,263
State of California - STA	994,936	-
Santa Barbara County Air Pollution Control District	550,161	-
Volkswagon Mitigation Trust Fund		540,000
SB 125	379,503	-
	\$ 12,554,682	\$ 10,623,256

Other receivables are as follows:

Trade receivables	\$ 26,193	\$ 113,091
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NOTE 4 GRANTS RECEIVABLES (CONTINUED)

Central Coast Community Energy 3CE

Central Coast Community Energy (3CE), a Joint Powers Authority, provides affordable, reliable, and clean electricity while working to support regional climate action through a portfolio of Energy Programs in the transportation, building, and agricultural electrification sectors, and expanded their Electric Bus Program offering to provide enhanced funding for fleet electrification initiatives at public school districts, agricultural transport worker services, and transit agencies within the 3CE service territory.

Federal Transit Administration (FTA)

Under the provisions of the grant agreements with FTA, funds are available to the District for maintenance costs, acquisition, construction, improvement and maintenance of transit facilities, transit vehicles and equipment.

Measure A

Measure A is a voter-approved one-half of one percent sales tax for transportation projects and programs for the purpose of improving the transportation system of the Santa Barbara County. Measure A is administered by the Santa Barbara County Association of Governments.

Santa Barbara County – Transit and Inter City Rail Program

Santa Barbara County Association of Governments was the representative award agent for the State of California, Transit and Inter City Rail Program (TIRCP) grant in 2022. TIRCP is a program that funds transformative projects to reduce greenhouse gas emissions, vehicle miles traveled, and congestion in California's transit and rail systems and is administered by CalSTA and Caltrans.

Local Transportation Fund (LTF)

Local Transportation Fund is created under TDA by the State. Funds are available to the District for local streets and roads, construction and maintenance.

State Transit Assistance (STA)

State Transit Assistance program is created under the Transportation Development Act (TDA) by the State of California (State). Funds are available to the District for maintenance costs, acquisition, construction, improvement and maintenance of transit facilities, transit vehicles and equipment.

Santa Barbara County Air Pollution Control District (SBAPCD)

SBAPCD is an independent agency protecting the people and the environment of Santa Barbara County from the effects of air pollution. Funds were granted to the District for the replacement of Diesel Buses with a Zero Emission Electric Vehicles.

Volkswagon Mitigation Trust Fund

The Volkswagen (VW) Mitigation Trust was established to fully mitigate the diesel NOx emissions caused by VW's illegal actions. The mitigation plan for California includes a variety of grant categories available to replace diesel equipment operating in the state of California.

NOTE 5 CAPITAL ASSETS

Changes in capital assets during the fiscal years ended June 30, 2024 and 2023 are as follows:

June 30, 2025	Beginning of Year	Additions	Transfers	Disposals/ Retirements/ Adjustments	End of Year
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in progress	5,788,044	5,827,266	(3,261,115)	-	8,354,195
Total Capital Assets, Not Being Depreciated	11,384,340	5,827,266	(3,261,115)	-	13,950,491
Buildings and improvements	19,069,848	50,431	-	-	19,120,279
Buses	60,983,397	532,296	2,779,286	(668,664)	63,626,315
Right-of-use assets					
Leases	2,174,252	-	-	-	2,174,252
SBITAs	248,535	239,466	-	-	488,001
Other equipment	6,335,774	214,915	481,829	(55,171)	6,977,347
Total Capital Assets, Being Depreciated	88,811,806	1,037,108	3,261,115	(723,835)	92,386,194
Accumulated Depreciation	(54,154,424)	(5,069,002)	-	650,309	(58,573,117)
Accumulated Amortization	(1,278,562)	(364,306)	-	-	(1,642,868)
Less Total Accumulated Depreciation and Amortization	(55,432,986)	(5,433,308)	-	650,309	(60,215,985)
Total Capital Assets, Being Depreciated, Net	33,378,820	(4,396,200)	3,261,115	(73,526)	32,170,209
Total Capital Assets, Net	\$ 44,763,160	\$ 1,431,066	\$ -	\$ (73,526)	\$ 46,120,700
June 30, 2024	Beginning of Year	Additions	Transfers	Disposals/ Retirements/ Adjustments	End of Year
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in progress	4,074,698	12,676,284	(10,962,938)	-	5,788,044
Total Capital Assets, Not Being Depreciated	9,670,994	12,676,284	(10,962,938)	-	11,384,340
Buildings and improvements	19,036,681	57,249	-	(24,082)	19,069,848
Buses	53,015,506	339,990	10,540,297	(2,912,396)	60,983,397
Right-of-use assets					
Leases	2,174,252	-	-	-	2,174,252
SBITAs	189,917	58,618	-	-	248,535
Other equipment	5,927,654	117,900	422,641	(132,421)	6,335,774
Total Capital Assets, Being Depreciated	80,344,010	573,757	10,962,938	(3,068,899)	88,811,806
Accumulated Depreciation	(52,687,728)	(4,485,043)	-	3,018,347	(54,154,424)
Accumulated Amortization	(928,586)	(349,976)	-	-	(1,278,562)
Less Total Accumulated Depreciation and Amortization	(53,616,314)	(4,835,019)	-	3,018,347	(55,432,986)
Total Capital Assets, Being Depreciated, Net	26,727,696	(4,261,262)	10,962,938	(50,552)	33,378,820
Total Capital Assets, Net	\$ 36,398,690	\$ 8,415,022	\$ -	\$ (50,552)	\$ 44,763,160

NOTE 5 CAPITAL ASSETS (CONTINUED)

Capital asset depreciation and amortization expense for the fiscal years ended June 30, 2025 and 2024 were \$5,069,002 and \$4,485,043, respectively.

Capital asset amortization for the fiscal years ended June 30, 2025 and 2024 were \$364,306 and \$349,976, respectively.

NOTE 6 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District subscribes to different software that expires on various date through November 2025. These subscriptions include options to renew at the District's discretion.

During the fiscal year ended June 30, 2024, the District implemented GASB 96 which resulted in the recognition of subscription assets and liability related to the District's SBITA. The subscription assets and liability as of June 30, 2025 and 2024, amounted to \$237,245 and \$90,024, and \$109,600 and \$109,600, respectively.

Subscription amortization expense is recognized on a straight-line basis over the policy period. Total subscription amortization expense was \$92,245 and \$78,195 was reported under depreciation and amortization in the Statements of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2025 and 2024, respectively.

For the year ended June 30, 2025 and 2024, the District paid \$47,538 and \$47,538, respectively, which is included in the measurement of the subscription liability.

The weighted average remaining policy period for the District's SBITA is 1.17 years. The District used a weighted average discount rate of 5.00% to calculate the present value of the future subscription payments.

Maturities of the subscription liability at June 30, 2025 are as follows:

Year Ending June 30	Amount
2026	\$ 20,500
2027	-
Total undiscounted subscription payments	20,500
Less: effects of discounting	(6,305)
Total subscription liability	\$ 14,195

NOTE 7 LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the years ended June 30, 2025 and 2024:

June 30, 2025

Type	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year
Lease Liability	\$ 818,512	\$ -	(301,977)	\$ 516,535	\$ 320,602
Compensated Absences	1,367,573	-	(44,186)	1,323,387	656,052
Total	<u>\$ 2,186,085</u>	<u>\$ -</u>	<u>\$ (346,163)</u>	<u>\$ 1,839,922</u>	<u>\$ 976,654</u>

June 30, 2024

Type	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Lease Liability	\$ 1,102,946	\$ -	\$ (284,434)	\$ 818,512	\$ 301,977
Compensated Absences	1,352,792	68,192	(53,411)	1,367,573	700,759
Total	<u>\$ 2,455,738</u>	<u>\$ 68,192</u>	<u>\$ (337,845)</u>	<u>\$ 2,186,085</u>	<u>\$ 1,002,736</u>

Lease Liability

The District entered into a lease agreement with BYD Motors LLC for six K7 30-foot BYD battery-electric buses for the provision of public transit service. The stated lease term is 96 months from January 1, 2019, through December 31, 2026. The term for two of the six buses was delayed until April 1, 2019, when the vehicles were available for revenue service. Total monthly lease payments are \$28,573 before the application of sales tax. The initial lease liability was \$2,174,252 based upon a value of \$362,375 per bus and a 6% interest rate. The minimum lease term is 24 months and includes a buy-out option for \$362,375 per bus reduced by all lease payments made up to the time of exercise, including interest paid. The District maintains the express right to terminate the lease subject to an early termination fee of three times the monthly lease payment.

Due to delays in bringing the buses into compliance with the contract specifications, lease payments were delayed until May 2020 and made retroactively to January 2019, a date mutually agreed to between the parties based upon various in-service dates.

The annual requirements to amortize the lease payable outstanding, including interest are as follows:

Year Ending June 30	Principal	Interest
2026	\$ 320,602	\$ 22,271
2027	195,933	4,078
	<u>\$ 516,535</u>	<u>\$ 26,349</u>

At June 30, 2025, the cost of the assets under the liability was \$2,174,252 and the related accumulated depreciation and amortization were \$1,743,930 and \$1,472,149 as of June 30, 2025 and 2024, respectively.

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

Compensated Absences

Employees annually accrue compensated absence time, consisting of vacation and sick time dependent on job classification and tenure ranging from 80 hours to 320 hours per year. These benefits are recognized as liabilities when earned and are expected to be paid or used in future periods. Accrued compensated absences for vacation as of June 30, 2025 and 2024 were \$975,937 and \$1,024,556, respectively. Accrued sick pay vested as of June 30, 2025 and 2024 were \$347,450 and \$343,017, respectively.

Effective for the fiscal year ended June 30, 2025, the District implemented GASB 101 – Compensated Absences, which establishes a unified recognition and measurement model for all types of compensated absences. Under GASB 101, a liability is recognized when the leave is attributable to services already rendered, accumulates and carries forward to future periods, and is more likely than not to be used or otherwise liquidated.

NOTE 8 NET POSITION

The majority of unrestricted net position represents excess Transportation Development Act (TDA) revenue received. Pursuant to Section 6634 of the California Administrative Code - TDA, a transit claimant is precluded from receiving monies from the Local Transportation Fund and State Transit Assistance Fund in an amount which exceeds that claimant's capital and operating costs, less the required fares, local support, and the amount received during the year from a District or county to which the operator provides service beyond its boundaries. The District receives notification of its TDA allocation for the next fiscal year in February of the preceding year. The District's fiscal year extends from July to June. The District is required to submit its claim for the subsequent year by April 1st. As such, the claim is based on the District's draft budget for the coming year. As a result, actual operating expenditures and capital acquisitions tend to vary resulting in excess TDA revenue received and the aforementioned unrestricted net position. The funds provide working capital (cash flow) to the District throughout the year and act as a reserve for any unexpected events.

Capital Contributions

The District receives grants from the FTA, State, and local transportation funds for the acquisition of buses and other equipment and improvements. Capital contributions are recorded as revenues and the costs of the related assets are included in property and equipment. Depreciation on assets acquired with capital grant funds is included in the Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 8 NET POSITION (CONTINUED)

Capital contributions for the fiscal years ended June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Federal Transit Administration	\$ 2,249,990	\$ 8,121,409
State Transit Assistance	1,291,148	350,444
Measure A	1,156,049	802,145
Miscellaneous	2,550,940	3,966,790
Total capital contributions	<u>\$ 7,248,127</u>	<u>\$ 13,240,788</u>

NOTE 9 TDA FUNDING AND ALLOCATIONS

The allocation of TDA funds to the District is subject to the provisions of Section 99268.2 of the Public Utilities Code, which includes the maintenance of a ratio of fare revenues to operating costs (farebox ratio) of at least 20%. During the fiscal years ended June 30, 2025 and 2024, the District's farebox ratio was 28.0% and 29.4%, respectively, as calculated below:

	<u>2025</u>	<u>2024</u>
Farebox revenue	\$ 4,980,048	\$ 5,021,718
Measure A	2,908,470	3,038,658
Miscellaneous revenues	736,344	684,647
Total revenues	<u>\$ 8,624,862</u>	<u>\$ 8,745,023</u>
Operating expenses	\$ 36,386,901	33,924,848
Add (deduct) adjustments:		
Depreciation and amortization expense	(5,340,784)	(4,756,825)
Pension expense (GASB 68 adjustment)	16,229	872,512
Vehicle lease expense	(301,977)	(284,434)
Net operating expenses	<u>\$ 30,760,369</u>	<u>\$ 29,756,101</u>
Fare box ratio	<u>28.0%</u>	<u>29.4%</u>
Target ratio	<u>20.0%</u>	<u>20.0%</u>

During FY2024-2025, the District is in compliance with the provisions of PUC Section 99268.2.

NOTE 9 TDA FUNDING AND ALLOCATIONS (CONTINUED)

TDA funding and usage for the years ended June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Funding		
Local Transportation Fund (SB 325)	\$ 10,256,754	\$ 10,280,260
State Transit Assistance Fund (SB 620)	<u>1,291,148</u>	<u>350,444</u>
	<u>\$ 11,547,902</u>	<u>\$ 10,630,704</u>
Usage		
Operations	\$ 10,256,754	\$ 10,280,260
Capital projects	<u>1,291,148</u>	<u>350,444</u>
	<u>\$ 11,547,902</u>	<u>\$ 10,630,704</u>

NOTE 10 FEDERAL GRANTS AND REIMBURSEMENTS

Federal grants and reimbursements for the years ended June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Operating grants	\$ 8,687,051	\$ 6,950,715
Capital grants	<u>2,249,990</u>	<u>8,121,409</u>
Total	<u>\$ 10,937,041</u>	<u>\$ 15,072,124</u>

NOTE 11 RETIREMENT PLANS

Two employee groups are covered under the District's retirement plans as follows:

Employee Group	Plan Names	Retirement Plan Expense	
		<u>2025</u>	<u>2024</u>
Union	Teamsters Union	\$ 1,116,042	\$ 1,106,331
Non-Union Deferral Plan	Profit-Sharing and Salary Deferral	<u>358,985</u>	<u>266,979</u>
Total		<u>\$ 1,475,027</u>	<u>\$ 1,373,310</u>

NOTE 11 RETIREMENT PLANS (CONTINUED)

Teamsters Union Pension Plan

This plan covers union employees and is a "cost sharing" defined benefit plan. The District had the following statistics as of June 30, 2024 and 2023:

	<u>2025</u>	<u>2024</u>
Required work hour contribution (up to 173.33 hours per month)	\$ 3.77	\$ 3.70
Total pension hours	296,852	281,046
Accrued pension	\$ 93,451	\$ 91,287

Western Conference of Teamsters Pension Trust (the Plan) is a multiemployer plan that administers the cost-sharing pension plan for those District employees covered by the collective bargaining agreement. As noted above, this is a defined benefit pension plan in which pension benefits are based on a set formula so that an employee's future benefit can be determined by the formula. Pension benefits in general are paid as monthly benefits over a participant's lifetime. The Plan has the authority to establish and/or amend the plan and its benefits. Based on the most recent actuarial certification, the Plan is in the "green zone" in 2023 and 2022, meaning the Plan is in good financial position. Therefore, no pension liability is reported in the accompanying financial statements. Additional information, such as the Plan's financial reports, can be found at www.wctpension.org/site-index. In the event an employer withdraws from the Plan, the employer's withdrawal liability is based on the employer's share of the unfunded vested benefits of the multiemployer Plan.

The period of coverage for the existing collective bargaining agreement between the District and Teamsters Union-Local 186 is July 1, 2022, through June 30, 2025. In 2025 and 2024, there were 169 and 168 employees covered under the Plan, respectively. The collective bargaining agreement is the basis for determining the District's employer's required contribution as well as any changes/amendments. In 2025 and 2024, the employer's required contribution was approximately \$1 million. Based on the agreement, there are no minimum contributions required for future periods. For fiscal years 2025 and 2024, the pension payable was \$93,451 and \$91,287, respectively, since the payments for June occurred after the fiscal year end.

Profit Sharing and Salary Deferral Plan

Effective July 1, 1985, the District established the Profit Sharing and Salary Deferral Plan for non-union employees not covered by the union plan. The plan is a defined contribution plan. The plan is administered by the District, which contracts the administration to NFP Retirement.

NOTE 11 RETIREMENT PLANS (CONTINUED)

The District contributes to the Profit-Sharing and Salary Deferral Plan an amount equal to 3% and 7%, respectively, of the compensation for all eligible participants. Contributions by the District to the Salary Deferral Plan are fully vested at the time of contribution. Contributions by the District to the Profit-Sharing Plan are vested ratably over a four-year period. The District is not obligated to make contributions to the Profit-Sharing Plan however its contributions must be regular and continuing in order for the Plan to receive favorable tax treatment under Internal Revenue Code Section 401(k).

The District's contributions for fiscal year 2025 were based upon a payroll of \$3,589,847 for non-union employees. For the year ended June 30, 2025, the District contributed \$358,985 (10% of covered payroll) and covered employees contributed \$293,807.

The District's contributions for fiscal year 2024 were based upon a payroll of \$3,325,329 for non-union employees. For the year ended June 30, 2024, the District contributed \$332,533 (10% of covered payroll) and covered employees contributed \$289,387.

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of losses related to injuries to employees and the public, damage to and destruction of assets, and errors and omissions.

The District has Self-Insured Retention policies with general liability coverage of \$15 million on any one claim, including self-insured amounts per claim as follows:

April 1, 2024 to March 31, 2025	\$250,000
April 1, 2023 to March 31, 2024	\$250,000
April 1, 2002 to March 31, 2023	\$250,000
April 1, 2001 to March 31, 2002	\$100,000
April 1, 1995 to March 31, 2001	\$250,000

The District has elected to self-insure its obligations for workers' compensation claims. On January 1, 2005, the District joined PRISM, formerly known as CSAC Excess Insurance Authority, with a self-insurance retention of \$500,000 and a limit of \$5 million on any one claim. As of July 01, 2020 the self-insurance retention is \$250,000. Claim amounts exceeding \$5 million are covered by PRISM. Claim amounts exceeding \$50 million are covered statutorily by Liberty Insurance Corporation.

There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the four years prior.

Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The District's insurance adjusters and attorneys help to determine the amount of actual or potential claims against the District.

NOTE 12 RISK MANAGEMENT (CONTINUED)

An analysis of claims activities for the District's general liability and workers' compensation claims liability is presented below:

	2025	2024
Claims liability - beginning of year	\$ 3,384,721	\$ 4,066,050
Claims and changes in estimates	148,143	(5,944)
Actual claim payments	(29,874)	(675,385)
Claims liability - end of year	\$ 3,502,990	\$ 3,384,721

NOTE 13 COMMITMENTS AND CONTINGENCIES

Paratransit Service – Easy Lift

For fiscal years 2025 and 2024, the District entered into an agreement with Easy Lift Transportation to provide a subsidy of \$1.0 million for each year for paratransit services. The amount can be adjusted by mutual consent if the District requests an adjustment in the amount of paratransit service to be provided. If for any reason, Easy Lift failed to provide the required ADA paratransit service, the District would continue to be responsible for the service under Federal law. The District would be required to implement a replacement service on very short notice, at a cost that would likely exceed the current subsidy.

The District is required under Federal law, the Americans with Disabilities Act of 1990 (ADA), to ensure that complementary paratransit service is available wherever and whenever the District provides fixed-route bus service. The District complies with this requirement by partially subsidizing the paratransit service provided by Easy Lift Transportation. The District signed a contract with Easy Lift in May 2019 for these services. The District, by written notice, may terminate this contract, in whole or in part, when it is in its best interest.

Federal Grant Contracts

The terms of the federal grant contracts require the District to, in part, utilize the equipment and facilities for the purposes specified in the grant agreement, maintain these items in operation for a specified time period, which normally approximates the useful life of the equipment, and to comply with the Equal Employment Opportunity and Affirmative Action programs required by the Transportation Equity Act for the 21st Century. Failure to comply with these terms may jeopardize future funding and require the District to refund a portion of these grants to the Federal Department of Transportation. In management's opinion, no events have occurred that would result in the termination of these grants or require the refund of a significant amount of funds received under these grants.

Lawsuits

The District is named in certain legal actions pending at June 30, 2025 and 2024. While the outcome of these lawsuits is not presently determinable, in the opinion of management of the District, based in part on the advice of counsel, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of the District, or is adequately covered by insurance.

NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB)

Plan Description

The District provides OPEB in the form of monthly reimbursement towards the retiree's health plan premium for eligible union retirees, and eligible staff retirees and their spouses of amounts not to exceed \$285 per month. The authorities under which benefit provisions are established or may be amended are the collective bargaining agreement for union employees and the District Board of Directors for non-union employees. Employees hired under the Collective Bargaining Agreement after March 1, 2014 are excluded from the plan. The OPEB Plan is restricted to represented employees hired before March 1, 2014, and to non-represented employees hired before July 1, 2018.

Employees Covered

Based on the OPEB actuarial valuation date of June 30, 2025, the following current and former employees were covered by the benefit terms of the OPEB Plan:

	2025	2024
Active employees	98	98
Inactive employees of beneficiaries currently receiving benefits	39	39
Total	137	137

Contributions

The contribution requirements of the District are established and may be amended by the District Board. These contributions are neither mandated nor guaranteed. The District has retained the right to unilaterally modify its payment for retiree health care benefits. For the years ended June 30, 2025 and 2024, the District has not made any contribution to the Plan. Employees are not required to contribute to the OPEB Plan.

Funding Policy and Annual OPEB Cost

During fiscal year 2017, the District joined the California Employers Retirement Benefit Trust (CERBT) to begin prefunding its OPEB obligation. CERBT is an irrevocable Section 115 agent multi-employer trust fund established by Chapter 331 of the California Statutes of 1988 dedicated to prefunding OPEB for all eligible California public agencies and is administered by CalPERS. At the time of inception, the District elected to establish the trust with a \$1,000,000 contribution. In fiscal year 2018, an additional \$500,000 contribution to the trust was made. Funding is not based on actuarially determined contributions and contributions are neither statutory nor contractually established. Current policy does not obligate the District to further fund its OPEB obligation. In fiscal year 2019, the District began drawing funds from the OPEB trust to cover the cost of current year retiree health benefit payouts. As of July 1, 2020, the District elected not to seek reimbursement from the Trust and continues a pay-as-you-go basis.

NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

The District's annual OPEB cost (expense) for the OPEB Plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75 beginning in fiscal year 2018. The ARC represents the normal cost and amortization of unfunded actuarial liabilities over 30 years.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The following actuarial methods and assumptions were used:

	2025	2024
Valuation Date	June 30, 2023	June 30, 2023
Measurement Date	June 30, 2024	June 30, 2023
Actuarial Assumptions:		
Discount rate	6.10%	6.10%
Inflation	2.50%	2.50%
Salary increase	2.50%	2.50%
Investment rate of return	6.10%	6.10%
Healthcare cost trend rates:		
Medicare Advantage	5.50% for 2024, decreasing ratably to 4.00% for 2070 and later years	6.00% for 2023, decreasing ratably to 4.00% for 2070 and later years
Medicare Supplement	4.50% for 2024, static through 2029 and 4.00 % for 2030 and later years	4.50% for 2023, static through 2029 and 4.00 % for 2030 and later years
Dental	10% for 2024, static through 2070 and later years	3.00% for 2023, static through 2070 and later years

The mortality table was updated from base rates developed in the 1997-2011 CalPERS Study for Miscellaneous employees with projected improvement based on scale MP-2016 to the Pub-2010 headcount weighted tables for general employees with projected improvement based on scale MP-2018.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial plan experience study for the period of July 1, 2022 – June 30, 2023.

NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

The long-term expected rate of return on OPEB 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 OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

2025

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (1 - 10 Years)</u>
Global Equity	34%	4.80%
Fixed Income	41%	1.80%
Treasury Inflation-Protected Securities	5%	1.60%
Real Estate Investment Trusts	17%	3.70%
Commodities	3%	1.90%
Total	100%	

2024

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (1 - 10 Years)</u>
Global Equity	34%	4.80%
Fixed Income	41%	1.80%
Treasury Inflation-Protected Securities	5%	1.60%
Real Estate Investment Trusts	17%	3.70%
Commodities	3%	1.90%
Total	100%	

NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.10% as of June 30, 2023. The rate is based on long-term expected rate of return for CERBT Strategy 2 determined by CalPERS.

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the years ended June 30, 2025 and 2024 are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2024	\$ 2,685,676	\$ 1,739,757	\$ 945,919
Changes Recognized for the Fiscal Year:			
Service Cost	48,786	-	48,786
Interest on the Total OPEB Liability	164,205	-	164,205
Differences Between Expected and Actual Experience	-	-	-
Change of Assumptions	-	-	-
Benefit Payments	(86,421)	(86,421)	-
Contributions from the Employer	-	86,421	(86,421)
Net Investment Income	-	143,359	(143,359)
Administrative Expense	-	(560)	560
Net Changes	126,570	142,799	(16,229)
Balance at June 30, 2025 (Based on June 30, 2024 Measurement Date)	\$ 2,812,246	\$ 1,882,556	\$ 929,690

NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2023	\$ 3,499,296	\$ 1,680,865	\$ 1,818,431
Changes Recognized for the Fiscal Year:			
Service Cost	67,975	-	67,975
Interest on the Total OPEB Liability	214,998	-	214,998
Change of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(550,510)	-	(550,510)
Change of Assumptions	(459,373)	-	(459,373)
Benefit Payments	(86,710)	(86,710)	-
Contributions from the Employer	-	86,710	(86,710)
Contributions from the Employee	-	-	-
Net Investment Income	-	59,374	(59,374)
Administrative Expense	-	(482)	482
Net Changes	(813,620)	58,892	(872,512)
Balance at June 30, 2024 (Based on June 30, 2023 Measurement Date)	\$ 2,685,676	\$ 1,739,757	\$ 945,919

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, as of June 30, 2025 and 2024.

	1% Decrease (5.10%)	Current Rate (6.10%)	1% Increase (7.10%)
<u>2025</u>			
Total OPEB Liability	\$ 3,152,739	\$ 2,812,246	\$ 2,522,193
Plan Fiduciary Net Position	1,882,556	1,882,556	1,882,556
Net OPEB Liability	\$ 1,270,183	\$ 929,690	\$ 639,637
	1% Decrease (5.10%)	Current Rate (6.10%)	1% Increase (7.10%)
<u>2024</u>			
Total OPEB Liability	\$ 3,020,586	\$ 2,685,676	\$ 2,400,848
Plan Fiduciary Net Position	1,739,757	1,739,757	1,739,757
Net OPEB Liability	\$ 1,280,829	\$ 945,919	\$ 661,091

NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using a health care cost trend that is one percentage point lower or one percentage point higher than the trend rate, as of June 30, 2025 and 2024.

2025

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,770,263	\$ 2,812,246	\$ 2,828,202
Plan Fiduciary Net Position	<u>1,882,556</u>	<u>1,882,556</u>	<u>1,882,556</u>
Net OPEB Liability	<u>\$ 887,707</u>	<u>\$ 929,690</u>	<u>\$ 945,646</u>

2024

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,646,892	\$ 2,685,676	\$ 2,700,474
Plan Fiduciary Net Position	<u>1,739,757</u>	<u>1,739,757</u>	<u>1,739,757</u>
Net OPEB Liability	<u>\$ 907,135</u>	<u>\$ 945,919</u>	<u>\$ 960,717</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

**OPEB Expense and Deferred Outflows and Inflows of Resources
Related to OPEB**

For the fiscal years ended June 30, 2025 and 2024, the District recognized OPEB expense of \$45,895 and \$126,142, respectively. As of June 30, 2025 and 2024, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2025</u>		
Differences between Actual and Expected Experience	\$ -	\$ (528,174)
Changes in Assumptions	175,650	(347,331)
Net Differences between Projected and Actual Earnings on Plan Investments	169,530	(73,300)
Contributions after the measurement date	<u>86,136</u>	<u>-</u>
Total	\$ <u>431,316</u>	\$ <u>(948,805)</u>
 <u>2024</u>	 <u>Deferred Outflows of Resources</u>	 <u>Deferred Inflows of Resources</u>
Differences between Actual and Expected Experience	\$ -	\$ (618,633)
Changes in Assumptions	226,173	(403,352)
Net Differences between Projected and Actual Earnings on Plan Investments	254,890	(87,000)
Contributions after the measurement date	<u>86,421</u>	<u>-</u>
Total	\$ <u>567,484</u>	\$ <u>(1,108,985)</u>

\$86,136 and \$86,421 reported as deferred outflows of resources as of June 30, 2025 and 2024, respectively, resulting from contributions made subsequent to measurement date will be recognized as a reduction of the OPEB liability in the years ending June 30, 2025 and 2024, respectively.

NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

OPEB Expense and Deferred Outflows of Resources Related to OPEB (continued)

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

<u>Years Ending June 30</u>	<u>Amount</u>
2026	\$ 54,098
2027	59,006
2028	14,630
2029	86,119
Thereafter	414,069
	<u>\$ 627,922</u>

NOTE 15 ADVANCES ON GRANTS

Advances on grants at June 30, 2025 and 2024 are summarized as follows:

	<u>UCSB Capital</u>	<u>LCTOP Capital</u>	<u>Other Capital</u>	<u>Total Capital</u>	<u>LCTOP Operating</u>	<u>Total Operating</u>	<u>Total Operating & Capital</u>
Available funds at June 30, 2023	\$ 603,823	\$ 922,950	\$ -	\$ 1,526,773	\$ 1,272,942	\$ 1,272,942	\$ 2,799,715
FY24 Allocations received	117,984	697,624	299,807	1,115,415	-	-	1,115,415
FY24 Interest earned	-	2,296	-	2,296	2,385	2,385	4,681
	<u>117,984</u>	<u>699,920</u>	<u>299,807</u>	<u>1,117,711</u>	<u>2,385</u>	<u>2,385</u>	<u>1,120,096</u>
Less: Eligible cost in FY 24	-	(253,347)	(3,021)	(256,368)	(69,226)	(69,226)	(325,594)
Available funds at June 30, 2024	\$ 721,807	\$ 1,369,523	\$ 296,786	\$ 2,388,116	\$ 1,206,101	\$ 1,206,101	\$ 3,594,217
FY25 Allocations received	126,795	746,018	-	872,813	-	-	872,813
FY25 Interest earned	-	1,660	-	1,660	1,167	1,167	2,827
	<u>126,795</u>	<u>747,678</u>	<u>-</u>	<u>874,473</u>	<u>1,167</u>	<u>1,167</u>	<u>875,640</u>
Less: Eligible cost in FY 25	-	-	(296,786)	(296,786)	(269,782)	(269,782)	(566,568)
Available funds at June 30, 2025	\$ 848,602	\$ 2,117,201	\$ -	\$ 2,965,803	\$ 937,486	\$ 937,486	\$ 3,903,289

NOTE 16 SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2025 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through [date], the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Santa Barbara Metropolitan Transit District Required Supplementary Information An Agent Multiple-Employer Defined Benefit Pension Plan Schedule of Changes in the Net Other Postemployment Benefits (OPEB) Liability and Related Ratios (Unaudited)

	2025	2024	2023	2022	2021	2020	2019
Total OPEB Liability							
Service Cost	\$ 48,786	\$ 67,975	\$ 91,669	\$ 89,652	\$ 38,234	\$ 46,605	\$ 45,248
Interest Cost	164,205	214,998	203,313	196,358	188,151	180,233	170,170
Changes in Benefits Terms	-	-	-	-	-	(147,814)	-
Differences Between Expected and Actual Experiences	-	(550,510)	-	(149,504)	-	-	-
Actual Experience	-	-	-	-	-	(67,492)	-
Changes of Assumptions	-	(459,373)	-	45,994	322,232	63,172	-
Benefit Payments	(86,421)	(86,710)	(72,957)	(68,116)	(69,547)	(67,552)	(65,645)
Net Change in Total OPEB Liability	126,570	(813,620)	222,025	114,384	479,070	7,152	149,773
Total OPEB Liability - Beginning	2,685,676	3,499,296	3,277,271	3,162,887	2,683,817	2,676,665	2,526,892
Total OPEB Liability - Ending	<u>\$ 2,812,246</u>	<u>\$ 2,685,676</u>	<u>\$ 3,499,296</u>	<u>\$ 3,277,271</u>	<u>\$ 3,162,887</u>	<u>\$ 2,683,817</u>	<u>\$ 2,676,665</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 86,421	\$ 86,710	\$ 72,957	\$ 68,116	\$ -	\$ -	\$ 565,645
Net Investment Income	143,359	59,374	(241,113)	317,099	84,712	105,941	61,784
Benefit Payments	(86,421)	(86,710)	(72,957)	(68,116)	(69,547)	(67,552)	(65,645)
Administrative Expenses	(560)	(482)	(1,615)	(1,508)	(788)	(757)	(535)
Net Change in Plan Fiduciary Net Position	142,799	58,892	(242,728)	315,591	14,377	37,632	561,249
Plan Fiduciary Net Position - Beginning	1,739,757	1,680,865	1,923,593	1,608,002	1,593,625	1,555,993	994,744
Plan Fiduciary Net Position - Ending	<u>1,882,556</u>	<u>1,739,757</u>	<u>1,680,865</u>	<u>1,923,593</u>	<u>1,608,002</u>	<u>1,593,625</u>	<u>1,555,993</u>
Net OPEB Liability - Ending	<u>\$ 929,690</u>	<u>\$ 945,919</u>	<u>\$ 1,818,431</u>	<u>\$ 1,353,678</u>	<u>\$ 1,554,885</u>	<u>\$ 1,090,192</u>	<u>\$ 1,120,672</u>
Net Position as a Percentage of OPEB Liability	66.94%	64.78%	48.03%	58.69%	50.84%	59.38%	58.13%
Covered Employee Payroll	\$ 7,616,502	\$ 8,372,701	\$ 7,857,419	\$ 8,886,815	\$ 8,895,129	\$ 9,970,053	\$ 10,346,378
Net OPEB Liability as a Percentage of Covered Employee Payroll	12.21%	11.30%	23.14%	15.23%	10.93%	10.83%	11.70%

Changes in assumptions - The discount rate remained the same at 6.10% for the measurement period ended June 30, 2022 and 2023, respectively.

Historical information is required only for measurement periods for which GASB Statement No. 75 is applicable. Future year's information will be displayed up to ten years as information becomes available.

A Schedule of Contributions is not required because funding is not based on actuarially determined contributions and contributions are neither statutory nor contractually established.

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COMPLIANCE SECTION



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REPORT TO THE BOARD OF DIRECTORS

December 9, 2025





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/ Engagement Team

Santa Barbara Metropolitan Transit District Engagement Team



Roger Martinez
Audit Practice Leader



Cristy Canieda
Quality Control Partner



Erica Ong
Audit Senior Manager



May Yap
Audit Senior

Joanne Mercado
Audit Staff

Jane Maureen Francisco
Audit Staff

/ Scope of Engagement

Financial Statements Audit

- In accordance with *Government Auditing Standards* (GAS)
- For fiscal year ended June 30, 2025



Single Audit of Federal Programs

- In accordance with the Uniform Guidance
- Compliance Requirements
 - ✓ Activities Allowed or Unallowed
 - ✓ Allowable Cost / Cost Principles
 - ✓ Cash Management
 - ✓ Period of Performance
 - ✓ Procurement Suspension and Debarment
 - ✓ Reporting
 - ✓ Subrecipient Monitoring
- For fiscal year ended June 30, 2025

/ Audit Status

We still have several outstanding items from the District and are finalizing audit procedures on financial reporting and single audit. Management is committed to providing open information in December, and we expect to complete the audit within the next 4 weeks of receiving open items from management.

Planning	60%
Internal Control Testing (receipts, disbursements, payroll)	90%
Year-end Testing Procedures	10%
Single Audit	5%
TDA Compliance	5%



/ Summary of Audit Results

/ Significant Audit Areas (An Overview)

- ✓ Management Override of Controls – fraud risks
- ✓ Cash and Investments
- ✓ Revenue and Accounts Receivables
- ✓ Inventory and Prepaid Assets
- ✓ Capital Assets
- ✓ Net Pension Liability and Net OPEB Liability and the related accounts
- ✓ Accounts Payable, Accrued Expenses and Accrued Payroll
- ✓ GASB 101 Compensated Absences
- ✓ Leases and Subscription-Based Information Technology Arrangements (SBITAs)
- ✓ Expenses and Allocation of Expenses

/ Audit Areas of Emphasis

Audit Focus Areas	Risk/Concerns	Procedures and Results
Cash and cash equivalents	<ul style="list-style-type: none"> Misappropriation of assets 	<p>This account includes cash in bank, money market account, local agency investment funds (LAIF), Low Carbon Transit Operations Program (LCTOP) and UCSB Advance Funds. We reviewed bank reconciliation and performed confirmation.</p> <p>No material exceptions were noted.</p>
Grants receivable	<ul style="list-style-type: none"> Receivables may not be existing, recorded in the proper period, amount and account. 	<p>Grants receivable represents reimbursement amounts from federal and state agencies, which includes \$5.9M from Federal Transit Administration (FTA), \$2.2M from Measure A and \$2.3M from other funders. We performed subsequent collection procedures and performed confirmation.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>

/ Audit Areas of Emphasis, Continued

Audit Focus Areas	Risk/Concerns	Procedures and Results
Inventory	<ul style="list-style-type: none"> Inventory may not be existing or incomplete Improper valuation 	<p>Inventory includes repair parts, fuel and lubricants inventory related to busses. Balances were fairly stated and disclosed. We observed year-end physical inventory count, performed floor-to-list and list-to-floor testing, and reconciliation of inventory.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>
Prepaid expense	<ul style="list-style-type: none"> Prepaid expense may not be existing Amortization during the year may not be properly recorded 	<p>Prepayments are recognized, capitalized and amortized based on the term agreement. This account includes annual membership dues, insurances, and hardware and software warranty. We performed test of details and test of reasonableness.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>
Capital assets	<ul style="list-style-type: none"> Additions and disposals during the year may not be properly recorded and authorized. Improper valuation 	<p>Capital assets, capital expenditures and related depreciation are monitored and fairly stated in the financial statements. Current year additions largely pertain to infrastructure improvements. Disposals include capital asset retirement. We performed test of additions, disposals and depreciation.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>

/ Audit Areas of Emphasis, Continued

Audit Focus Areas	Risk/Concerns	Procedures and Results
Accounts payable, accrued expenses and accrued payroll	<ul style="list-style-type: none"> ▪ Material unrecorded liabilities 	<p>This includes accounts payable and payroll payable. We performed search for unrecorded liabilities and test of reasonableness.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>
GASB 101 Compensated Absences	<ul style="list-style-type: none"> ▪ Measurement of compensated absences 	<p>This account includes sick and vacation paid absences. We obtained and reviewed the management's leave policies, assessed the implementation of GASB 101 and ensured consideration of historical data and the more likely than not probability. We also performed independent recalculation based on the management's leave policies and management assumptions.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>

/ Audit Areas of Emphasis, Continued

Audit Focus Areas	Risk/Concerns	Procedures and Results
Advances on grants	<ul style="list-style-type: none"> Advances may not be existing, recorded in the proper period, amount and account. 	<p>This account represents funds received in advance and remained unspent at the end of the fiscal year end. A large part of the balance came from the Low Carbon Transit Operations Program (LCTOP) funds and UCSB restricted cash funds for future operating and capital activities of the planned micro transit service and Line 28 service. We verified advances on grants from supporting documents.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>
Claims liability	<ul style="list-style-type: none"> Reasonableness of actuarially determined uninsured general liability and workers' compensation insurance. 	<p>Balance was fairly stated based on actuarial reports prepared by a third-party consultant.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>

/ Audit Areas of Emphasis, Continued

Audit Focus Areas	Risk/Concerns	Procedures and Results
Net OPEB liability	<ul style="list-style-type: none"> Measurement of net OPEB liability 	<p>Net OPEB liability was measured as of June 30, 2023 using the actuarial valuation report as of June 30, 2023 prepared by a third-party consultant. Book balances were agreed to these reports and required disclosures reported in the audit report.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>
Leases	<ul style="list-style-type: none"> Improper valuation of lease liability and right-of-use of asset 	<p>We reviewed amortization schedule and performed test of depreciation.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>
Subscription-Based Information Technology Arrangements (SBITAs)	<ul style="list-style-type: none"> Noncompliance with the new accounting standards (GASB96) in recording SBITAs 	<p>We reviewed management policy on capitalization and contract agreement of SBITAs.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>

/ Audit Areas of Emphasis, Continued

Audit Focus Areas	Risk/Concerns	Procedures and Results
Revenue	<ul style="list-style-type: none"> Improper revenue recognition 	<p>We reviewed the revenues recognized during the fiscal year against the District's revenue recognition policy and no exception was noted. We also confirmed balances related to grant revenues. Operating grants include \$10.2M from Local Transportation Fund (LTF) Operating Assistance and \$5.8M from FTA Operating Assistance, \$2.9M from Measure A, \$1.3M from Local Operating Assistance and \$3.3M from Other Federal Assistance.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>
Expense	<ul style="list-style-type: none"> Expense may not be reasonable 	<p>We reviewed the significant expenses, compared with prior year balances and corresponding grant revenues that were recognized and determined that the amounts are reasonable. Operating expenses include route operations, vehicle maintenance, passenger accommodations and general overhead.</p> <p>Testing is still in progress. As of this date, no material exceptions were noted.</p>
Management Override of Controls – fraud risk	<ul style="list-style-type: none"> Management may override existing controls in the District. 	<p>We did not note management override of controls.</p>

/ Single Audit, Continued

Summary of Results

Total Federal Expenditures – \$10.9 million



Major program

Assistance Listing Number:

20.507 and 20.526

Dollar threshold used to distinguish between type A and type programs:

Auditee qualifies as low-risk auditee?

Financial Statement Findings:

Federal Award Findings:

Name of Federal Program or Cluster:

Formula Transit Program Cluster

\$1,000,000

Yes

Testing in progress

Testing in progress

/ Summary of Financial Information

Statement of Net Position

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets

Cash and investments
Grants receivable
Other receivable
Materials and supplies inventories
Other current assets

Total current assets

Noncurrent assets

Cash and investments restricted for capital support
Capital assets:
Tangible transit operating property
Right-of-use asset - Leases
Right-of-use asset - SBITAS
Less: Accumulated depreciation/amortization
Capital assets, net

Total noncurrent assets

Total assets

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts related to other postemployment benefits (OPEB)

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

June 30		Change	
2025	2024	Increase (Decrease)	
		Dollar	%
\$ 4,905,906	\$ 7,286,583	(2,380,677)	-33%
11,359,076	10,623,256	735,820	7%
1,405,243	113,091	1,292,152	1143%
1,144,932	1,054,757	90,175	9%
738,802	574,748	164,054	29%
19,553,959	19,652,435	(98,476)	-1%
3,903,289	3,594,217	309,072	9%
103,674,432	97,773,359	5,901,073	6%
2,174,252	2,174,252	0	0%
488,001	248,535	239,466	96%
(60,215,985)	(55,432,986)	(4,782,999)	9%
46,120,700	44,763,160	1,357,540	3%
50,023,989	48,357,377	1,666,612	3%
69,577,948	68,009,812	1,568,136	2%
431,316	567,484	(136,168)	-24%
\$ 70,009,264	\$ 68,577,296	1,431,968	2%

Statement of Net Position, Continued

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities

Accounts payable
Accrued payroll
Accrued expenses
Unearned revenue
Claims liability - current portion
Compensated absences payable - current portion
Lease liability - current portion
Subscription liability - current portion

Total current liabilities

Noncurrent liabilities

Compensated absences payable, net of current portion
Advances on grants
Claims liability, net of current portion
Net OPEB liability
Lease liability, net of current portion
Subscription liability, net of current portion

Total noncurrent liabilities

Total liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred amounts related to other postemployment benefits (OPEB)

NET POSITION

Net investment in capital assets
Unrestricted

Total net position

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

June 30		Change	
2025	2024	Increase (Decrease)	
		Dollar	%
\$ 991,774	\$ 1,180,264	(188,490)	-16%
344,144	284,757	59,387	21%
292,717	741,112	(448,395)	-61%
306,538	247,564	58,974	24%
654,244	691,641	(37,397)	-5%
656,052	700,759	(44,707)	-6%
52,110	301,977	(249,867)	-83%
-	39,520	(39,520)	-100%
3,297,579	4,187,594	(890,015)	-21%
667,335	666,814	521	0%
3,903,289	3,594,217	309,072	9%
2,848,746	2,693,080	155,666	6%
929,690	945,919	(16,229)	-2%
464,425	516,535	(52,110)	-10%
14,195	19,523	(5,328)	-27%
8,827,680	8,436,088	391,592	5%
12,125,259	12,623,682	(498,423)	-4%
948,805	1,108,985	(160,180)	-14%
45,604,165	43,944,648	1,659,517	4%
11,331,035	10,899,981	431,054	4%
56,935,200	54,844,629	2,090,571	4%
\$ 70,009,264	\$ 68,577,296	1,431,968	2%

Statement of Activities

	Years ended June 30		Change	
	2025	2024	Increase (Decrease) Dollar	%
OPERATING REVENUES				
Passenger fares	\$ 4,980,048	\$ 5,021,718	\$ (41,670)	-1%
OPERATING EXPENSES				
Route operations	18,165,039	16,860,593	1,304,446	8%
Vehicle maintenance	6,174,336	6,121,960	52,376	1%
Passenger accommodations	1,923,988	1,908,606	15,382	1%
General overhead	4,643,967	4,072,527	571,440	14%
Postemployment health care benefits	46,542	126,142	(79,600)	-63%
Total operating expenses before depreciation and amortization	30,953,872	29,089,828	1,864,044	6%
Depreciation and amortization	5,433,029	4,835,020	598,009	12%
Total operating expenses	36,386,901	33,924,848	2,462,053	7%
OPERATING LOSS	(31,406,853)	(28,903,130)	(2,503,723)	9%
NONOPERATING REVENUES (EXPENSES)				
Non-transportation revenue, including interest, advertising, rent, and miscellaneous	736,344	684,647	51,697	8%
Taxes levied by Santa Barbara County for the District	1,870,614	1,783,390	87,224	5%
Transportation Development Act funding and allocations	10,256,754	10,280,260	(23,506)	0%
Federal grants	8,868,658	6,950,715	1,917,943	28%
Measure A grants	2,908,470	3,038,658	(130,188)	-4%
Miscellaneous grants	1,578,556	1,395,432	183,124	13%
Loss on disposal of assets, net of proceeds	23,680	(34,655)	58,335	-168%
Interest expense	3,367	(2,690)	6,057	-225%
Nonoperating revenues, net	26,246,443	24,095,757	2,150,686	9%
CAPITAL CONTRIBUTIONS				
Capital grants:				
Federal Transit Administration	2,251,827	8,121,409	(5,869,582)	-72%
State Transit Assistance	1,291,722	350,444	941,278	269%
Measure A	1,156,494	802,145	354,349	44%
Miscellaneous	2,550,938	3,966,790	(1,415,852)	-36%
Total capital contributions	7,250,981	13,240,788	(5,989,807)	-45%
CHANGE IN NET POSITION	2,090,571	8,433,415	(6,342,844)	-75%
NET POSITION				
Beginning of year	54,844,629	46,411,214	8,433,415	18%
End of year	\$ 56,935,200	\$ 54,844,629	\$ 2,090,571	4%

/ Recently Issued Accounting Standards

/ Recently Issued Accounting Standards



Effective FY2025 – Implemented

- **GASB Statement No. 101, Compensated Absences**
(effective for fiscal year 2025)
- **GASB Statement No. 102, Certain Risk Disclosures**
(effective for fiscal year 2025)

Effective in FY2026

- **GASB Statement No. 103, Financial Reporting Model Improvements**
(effective for reporting periods beginning after June 15, 2025)
- **GASB Statement No. 104, Disclosure of Certain Capital Assets**
(effective for reporting periods beginning after June 15, 2025)

/ Auditor's Required Communication to Those Charged with Governance (AU-C 260)



/ Required Communication to Those Charged with Governance

Auditor responsibilities	Our responsibilities have been described to you in our engagement letter dated May 5, 2025.
Overview of planned scope and timing of audit	We have issued a separate communication regarding scope and timing of our audit on May 5, 2025.
Accounting principles	Management has ultimate responsibility for the accounting principles used, including their consistency, application, clarity and completeness.
Accounting policies	The District's significant accounting policies are appropriate, and management has applied its policies consistently with prior periods in all material respects. As of this date, we did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Testing is still in progress.

/ Required Communication to Those Charged with Governance, Continued

Significant unusual transactions	As of this date, no significant or unusual transactions or accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus were identified. All significant transactions have been recognized in the financial statements in the proper period. Testing is still in progress.
Estimates	Significant items subject to such estimates include inventory costing, valuation of OPEB and claims liability, useful lives of property and equipment, compensated absences, valuation of SBITAs, and functional allocation of expenses. As of this date, we found management's estimates to be reasonable and based on knowledge and experience about past and current events. Testing is still in progress.
Audit adjustments	As of this date, no audit adjustments, other than those that are clearly trivial, proposed by us. Testing is still in progress.
Uncorrected misstatements	As of this date, we are not aware of uncorrected misstatements (passed audit differences) other than misstatements that are clearly trivial. Testing is still in progress.

/ Required Communication to Those Charged with Governance, Continued

Disagreements with management	None. As of this date, we encountered no disagreements with management on financial accounting and reporting matters as it relates to the current year financial statements. Testing is still in progress.
Consultations with other accounting firms	As of this date, management has advised us that there were no consultations by management with other accountants about accounting or auditing matters. Testing is still in progress.
Difficulties with management	As of this date, we did not encounter any significant difficulties with management while performing our audit procedures that require the attention of the Board. Testing is still in progress.

/ Required Communication to Those Charged with Governance, Continued

Significant issues addressed with management prior to retention	As of this date, none noted. Testing is still in progress.
Significant deficiencies or material weaknesses identified	As of this date, none noted. Testing is still in progress.
Irregularities, fraud or illegal acts	As of this date, no irregularities, fraud or illegal acts or that would cause a material misstatement of the financial statements, came to our attention as a result of our audit procedures. Testing is still in progress.

/ Required Communication to Those Charged with Governance, Continued

Independence	We confirm that we are independent of the District within the meaning of the independence, integrity and objectivity rules, regulations, interpretations, and rulings of the AICPA, the State of California Board of Accountancy, and other regulatory agencies.
Management representations	Management will provide us with a signed copy of the management representation letter.
Shared Responsibility	Independence is a joint responsibility and is managed most effectively when the District management and Board of Directors and audit firms work together in considering compliance with AICPA and Government Accountability Office (GAO) independence rules. AICPA and GAO rules require independence both in mind and in appearance when providing audit and other attestation services. Vasquez ensures that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement. Vasquez maintains a system of quality control over compliance with independence rules and firm policies.



/ Questions

/ Contact Information

Vasquez + Company LLP has over 55 years of experience in performing audit, accounting, and consulting services for all types of private companies, nonprofit organizations, and governmental entities.

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**Thank you for your
time and attention!**

