

# Salem Area Mass Transit District

Marion County, Oregon

# Comprehensive Annual Financial Report

Fiscal Years Ended June 30, 2014 and 2013



**SALEM AREA MASS TRANSIT DISTRICT**

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Comprehensive Annual Financial Report

For the years ended

June 30, 2014 and 2013

Marion County, Oregon

Prepared by the Finance Department  
Jared Isaksen, Finance Manager

**Salem Area Mass Transit District**  
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## **Introductory Section**



December 19, 2014

Board of Directors  
Salem Area Mass Transit District  
555 Court St. NE, Suite 5230  
Salem, OR 97301-3980

It is our pleasure to submit to you the Comprehensive Annual Financial Report of the Salem Area Mass Transit District for the fiscal year ended June 30, 2014. Oregon Statutes require that the District publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the District. Consequently, responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established an internal control structure designed to safeguard District assets against loss, theft, or misappropriation, and to ensure the reliability of financial records for preparing financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure has been designed to provide reasonable, but not absolute, assurance that these objectives are being met. The concept of reasonable assurance recognizes that (1) the cost of the control structure should not exceed the benefits likely to be derived; and (2) the evaluation of cost and benefits requires estimates and judgments by management. We believe that the District's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions. To the best of our knowledge and belief, the enclosed data is presented accurately, in all material respects, along with disclosures necessary to provide the reader with a reasonable understanding of the District's financial affairs.

This report was prepared in accordance with the Governmental Accounting Standards Board (GASB) and includes:

- A narrative introduction, overview, and analysis of the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found following the independent auditor's report on the basic financial statements, beginning on page 3 of this report.
- Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and related notes for the District as a whole on the full accrual basis.
- Schedule of Revenue, Expenses, and Changes in Fund Balance - Budget to Actual is presented as supplementary information.

Grove, Mueller & Swank, P.C., a firm of licensed certified public accountants, audited the District's financial statements. The goal of this independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2014, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2014, are fairly presented in all material respects in conformity with GAAP. The independent auditor's report is presented in the Financial Section of this report beginning on page 1.

In addition to meeting the requirements set forth above, the independent audit was also designed to meet the special needs of federal grantor agencies as provided for in the Federal Single Audit Act and the Office of Management and Budget's (OMB) Circular A-133. These standards require the independent government's internal controls to be established and maintained effectively and the District to be in compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. The results of the independent audit for the fiscal year ended June 30, 2014 indicated no significant violations of applicable laws and regulations. The independent auditor's reports, related specifically to the Single Audit and OMB Circular A-133, are contained in a separate report.

## **District Overview**

Salem-Keizer Transit, officially known as the Salem Area Mass Transit District (District) provides public transportation services to the Salem and Keizer communities, as well as to many communities throughout Oregon's mid-Willamette Valley. The District was established in 1979, under the laws of the State of Oregon that allowed for the formation of transit districts as special taxing entities. Prior to that time, Cherriots, the District's fixed route bus system, had been part of the City of Salem.

The District is governed by a seven member elected Board of Directors, elected at-large from within the District's boundaries. The Board of Directors sets District policy, levies taxes, appropriates funds, adopts budgets, and performs other duties required by state and federal laws. The daily management of the District is under the supervision of the General Manager, who is appointed by the Board of Directors.

For financial planning and control, the District prepares and adopts an annual budget in accordance with Oregon Revised Statutes Chapters 294.305 through 294.565. The legally adopted budget is at the fund/object level for current expenditures, with separate appropriations established for the object levels of personnel services, materials and services, capital outlay, and internal transfers for each fund. Budgetary control is internally administered at a more restrictive level. Budget-to-actual comparisons for each individual fund for which an appropriated annual budget has been adopted are provided as other supplementary information in this report.

The District provides effective and efficient solutions to the community's transportation needs and advocates for policies and programs that promote a high quality of life, clean air, transportation, efficient land use, and the effective use of resources.

The District is committed to the successful implementation of total fixed-route accessibility and the successful operation of a demand-response/para-transit service for persons unable to use the fixed route system. All of the District's fixed-route buses are ADA accessible.

## **Local Economy**

The District is located within the Salem Metropolitan Statistical Area (MSA). The Salem MSA, as defined by the United States Census Bureau, is an area consisting of two counties in western Oregon, Marion and Polk. The principal city is Salem, which has a population of 157,429. As of the 2013 census, there were 399,945 people living in the Salem MSA compared with a population of 391,395 in the 2010 census. Marion and Polk Counties are located south of the Portland metropolitan area in the center of the Willamette Valley. The District's boundaries are contiguous with the urban growth boundaries and include the City of Salem and the City of Keizer. The District also provides rural services to Marion and Polk Counties and commuter services to Wilsonville and the Spirit Mountain Casino in Grand Ronde, Oregon.

The City of Salem is the capitol of Oregon and the county seat for Marion County. Salem is the third largest city and Keizer is the fourteenth largest city in Oregon. The major industries in the Salem MSA are agribusiness, health care, and technology. The area's economy also has a substantial government and education base. State agencies located in Marion County provide employment to approximately 19,000 people.

The seasonally adjusted unemployment in the Salem MSA in September 2014 was 6.2 percent, 0.9 percentage points lower than the September 2013 rate. The recovery from the recession has been slow. Salem's economy lost nearly 12,000 jobs during the last recession, 8 percent of total jobs, from 2007 to the trough of the recession in November of 2011. Today 7 in 10 counties in Oregon have added jobs over the last year, nearly matching the amount seen during previous expansions. The Salem area is now growing faster than Portland area according to the Oregon Office of Economic Analysis. The Oregon Office of Economic Analysis forecasts the recent job gains to persist for two or three years before longer-run demographic trends weigh on growth rates.

## **Fixed Route Transportation**

Over 10 million passenger miles are traveled annually, with total ridership of 3,322,655 for fiscal year 2013-14. This total ridership represents a decrease of 2.7 percent from the fiscal year 2012-13. This decrease is minor when compared to the 20 percent decrease experienced by the District during the fiscal year 2011-12. For fiscal year 2013-14 the operating costs, on a budgetary basis, per revenue mile for the fixed route service amounted to \$10.26 compared to a cost of \$9.97 for fiscal year 2012-13 or (a 2.9 percent increase), while the average cost per ride increased from \$5.79 in fiscal year 2012-13 to \$6.18 for fiscal year 2013-14 (a 6.7 percent increase). The increase in the cost per ride is mainly due to the decreased ridership and increased costs from increased maintenance cost associated with parts, as well as increased medical and salary expenses.

## **Alternative Transportation**

Ridership in the para-transit, non-emergency medical transportation, dial-a-ride, and shopper shuttle programs increased during fiscal year 2013-14. The total rides provided in fiscal year 2013-14 were 525,378 compared to 488,466 rides provided in fiscal year 2012-13. The average cost of providing



demand response rides in fiscal year 2013-14 was \$26.87 compared with \$25.66 for fiscal year 2012-13. This increase in cost per ride is due to an increase in the number of rides provided, especially in rides that are ungrouped during a trip.

A small portion of the cost of providing these alternative transportation services is covered with fare revenue, 2.8 percent for the fiscal year 2013-14 compared with 3.4 percent for fiscal year 2012-13. Funding from federal and state sources provided 90.7 percent of fiscal year 2013-14 program operating costs, and 90.4 percent of fiscal year 2012-13 program operating costs. Grant funding reduced the net program costs to the District to less than \$975,000 in fiscal year 2013-14.

## **Major Initiatives**

The District, in conjunction with Marion County, has completed the remediation process of the Courthouse Square building and transit mall. The project had a total cost of \$27.2 million; the District's portion being \$8.1 million.

## **Future**

Our vision is to make a positive difference by enhancing community livability through innovative, sustainable regional transportation options. In the next three years, work towards this vision will be focused on the implementation of the District's Moving Forward service plan. Phase I of this plan is set to be implemented in September 2015. Succeeding phases will be implemented upon acquiring a new sustainable revenue source.

Major capital improvements anticipated in the upcoming fiscal year include the Bus Stop Improvement Project and preliminary design and engineering for the South Salem transit center.

## **Long-term Financial Planning**

While the District has maintained the current level of service for the last five years there is a great need in the community for weekend service. The District is exploring the viability of asking the voters to approve a local option levy or a payroll tax in an upcoming election. The additional funds would provide resources to expand services to include weekend, evening and holiday service enhancements.

## **Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the second year that the District received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The timely preparation of the CAFR was made possible by the efforts of the entire staff of the Finance Department. The Finance Department appreciates and thanks the staff who assisted and contributed to

the report's presentation. They also thank the members of the Board of Directors and the General Manager for their interest and support in managing the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,

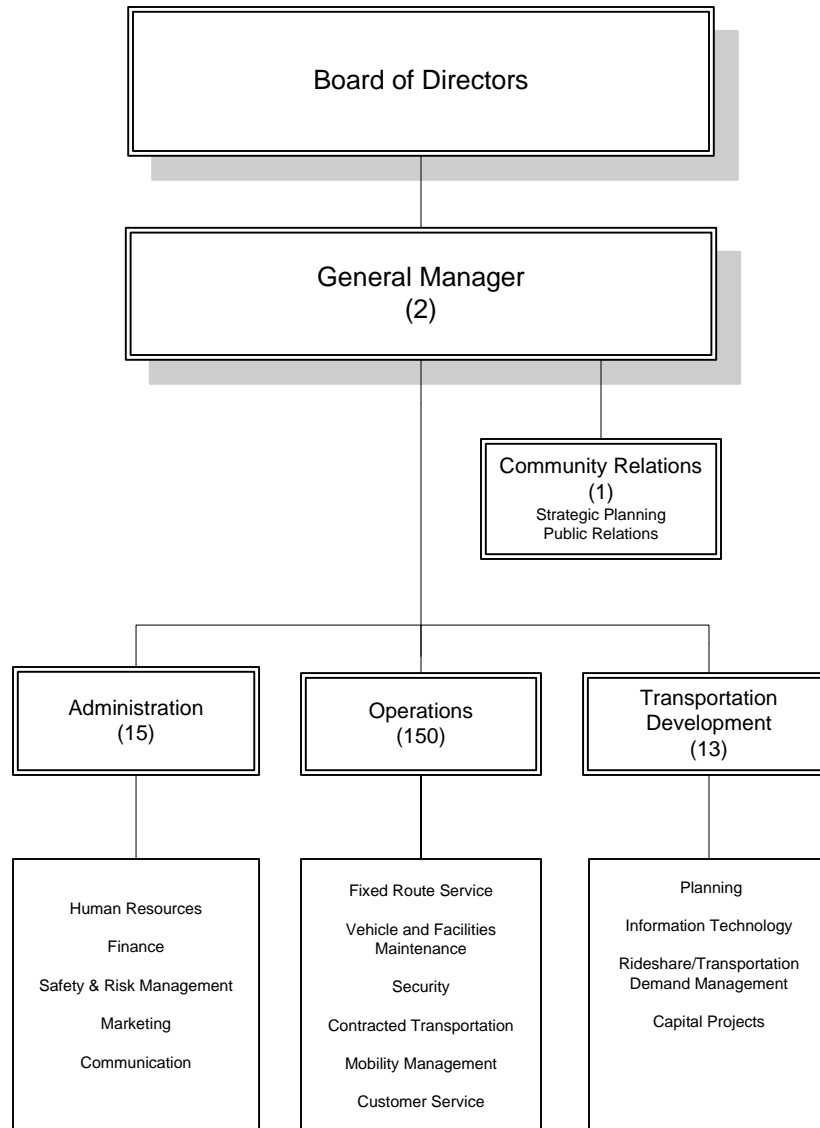


Allan Pollock  
General Manager



Jared Isaksen  
Finance Manager

# SALEM AREA MASS TRANSIT DISTRICT DISTRICT-WIDE ORGANIZATIONAL CHART



Salem Area Mass Transit District  
BOARD OF DIRECTORS

<u>Board</u>	<u>Subdistrict</u>	<u>Term Expiration</u>
Steve Evans, Treasurer	1 - West Salem	June 30, 2015
Brad Coy	2 - Keizer	June 30, 2017
Kate Tarter, Secretary	3 - North Salem	June 30, 2015
John Hammill	4 - Northeast Salem	June 30, 2017
Jerry Thompson, President	5 - Southeast Salem	June 30, 2015
Robert Krebs, Vice-President	6 - South Salem	June 30, 2017
Marcia Kelley	7 - South Salem	June 30, 2015

General Manager  
Allan Pollock



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Salem Area Mass  
Transit District, Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

## **Financial Section**



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT***

Board of Directors  
Salem Area Mass Transit  
Salem, Oregon

#### ***Report on the Financial Statements***

We have audited the statements of net position, statements of revenue, expenses and changes in net position, and cash flows of Salem Area Mass Transit (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Salem Area Mass Transit District, as of June 30, 2014 and 2013, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 3 through 6) and schedule of funding progress for pension (page 27) be presented to

supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and schedule of funding progress for pension and other postemployment benefits in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

***Other Reporting Required by Government Auditing Standards and Other Legal and Regulatory Requirements***


*Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Report on Other Legal and Regulatory Requirements*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 19, 2014, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

By:   
Devan W. Esch, A Shareholder  
December 19, 2014



## **Salem Area Mass Transit District's Management's Discussion and Analysis**

The management of Salem Area Mass Transit District (District) presents this narrative overview and analysis to facilitate both a short-term and long-term analysis of the financial activities of the District for the fiscal years ended June 30, 2014 and 2013. This Management's Discussion and Analysis (MD&A) is based on facts, decisions, and conditions that existed as of the date of the independent auditor's report.

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

The District's financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. They have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this basis of accounting, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred, regardless of the related cash flows.

### **Financial Highlights**

The District's total assets decreased in fiscal year (FY) 2014 from \$58.5 million to \$57 million, due to a decrease in federal grants receivables. The District's total assets increased in FY 2013 from \$51.8 million to \$58.5 million, due to an increase in cash and receivables.

The District's total liabilities decreased in FY 2014 by \$1.5 million, due mostly to a decrease in the net pension benefit obligation. The District's total liabilities decreased in FY 2013 by \$1.4 million, due mostly to a decrease in the payroll payable.

In FY 2014, the District's total net position decreased by \$27,702, due mainly to the completion of the Courthouse Square remediation; the investment in capital assets increased by approximately \$2.5 million, or 7.2 percent; the restricted net position increased by \$127,570; and the unrestricted net position decreased by approximately \$2.58 million.

In FY 2013, the District's total net position increased by almost \$8.2 million, due mainly to the remediation of Courthouse Square and the building of the Keizer Transit Center; the net investment in capital assets increased by approximately \$6.2 million, or 22 percent; the restricted net position increased by \$2.7 million; and the unrestricted net position decreased by \$769,000.

In FY 2014, operating revenue decreased more than \$203,000 from \$6.5 million to \$6.3 million, or 3.1 percent, from the prior year. This decrease was due to Lamar Advertising cancelling their contract with the District in early FY 2014. Non-operating revenues, including capital contributions, decreased approximately \$915,000 from the prior year. This decrease is due to a decrease in non-operating revenues from federal grants and from grants for capital acquisition. Operating expenses increased more than \$3.2 million from the prior year. The majority of the increase is from a 18% increase in eligible Non-Emergency Medical Transportation (DMAP) participants and contracted transportation costs associated with that increase. The remainder of the increase is due to filling budgeted positions and an increased number of operators.

In FY 2013, operating revenue increased more than \$590,000 from \$5.9 million to \$6.5 million, or 9.9 percent, from the prior year. This increase was due to the District taking on a greater

number of Medicaid funded passengers riding on CherryLift. Non-operating revenues, including capital contributions, increased approximately \$2.6 million from the prior year. This increase is due to an increase in capital contributions from federal and state grants. Operating expenses increased more than \$1.0 million from the prior year. The majority of the increase is from the additional Medicaid funded passengers.

In FY 2013 the District recognized an extraordinary gain approximating \$3.8 million on litigation settlements for the building and transit mall at Courthouse Square.

The District's major transfers were from the general fund to the capital project fund for \$1.8 million and \$1 million and to the special transportation fund for \$975,000 and \$870,000 for the fiscal years ended June 30, 2014 and 2013 respectively.

	<i>June 30,</i>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><i>Assets</i></b>			
Current and restricted assets	\$ 20,148,979	\$ 24,153,129	\$ 23,652,119
Capital assets, net of depreciation	<u>36,855,141</u>	<u>34,371,636</u>	<u>28,156,242</u>
<i>Total assets</i>	57,004,120	58,524,765	51,808,361
<b><i>Liabilities</i></b>			
Current liabilities	4,149,053	6,078,400	7,938,659
Noncurrent liabilities	<u>2,285,030</u>	<u>1,904,030</u>	<u>1,523,030</u>
<i>Total liabilities</i>	6,434,083	7,982,429	9,461,689
<b><i>Net position</i></b>			
Investment in capital assets	36,855,141	34,371,636	28,156,242
Restricted for capital projects	4,017,170	3,952,823	2,036,447
Restricted for special transportation	1,038,737	975,514	142,488
Unrestricted	<u>8,658,989</u>	<u>11,242,362</u>	<u>12,011,495</u>
<i>Total net position</i>	<u>\$ 50,570,037</u>	<u>\$ 50,542,335</u>	<u>\$ 42,346,672</u>

Net position invested in capital assets consists of land, land improvements, buildings, vehicles, and office and shop equipment, net of accumulated depreciation.

Net position restricted for capital projects and special transportation programs represents amounts restricted for use for special transportation programs, projects, and capital expenditures.

	<i>Year Ended June 30,</i>		
	<i>2014</i>	<i>2013</i>	<i>2012</i>
Operating revenues	\$ 6,370,847	\$ 6,574,775	\$ 5,984,001
Non-operating revenues	<u>27,766,547</u>	<u>27,854,404</u>	<u>28,266,540</u>
<i>Total revenue</i>	34,137,394	34,429,179	34,250,541
Operating expenses	(38,801,419)	(35,595,418)	(34,542,966)
Non-operating expenses	<u>-</u>	<u>-</u>	<u>(21,817)</u>
<i>Total expense</i>	(38,801,419)	(35,595,418)	(34,564,783)
Extraordinary gain/(loss)	-	3,842,554	(4,033,628)
Capital contributions	<u>4,691,727</u>	<u>5,519,348</u>	<u>2,459,714</u>
Changes in net position	27,702	8,195,663	(1,888,156)
<b>Beginning net position</b>	<u>50,542,335</u>	<u>42,346,672</u>	<u>44,234,828</u>
<b>Ending net position</b>	<u>\$ 50,570,037</u>	<u>\$ 50,542,335</u>	<u>\$ 42,346,672</u>

The District's total revenue decreased more than \$290,000, or 0.85 percent, during FY 2014. The District's total revenue increased \$178,000, or 0.5 percent, during FY 2013.

### Capital Assets

The District's investment in capital assets amounts to \$36.8 million and \$34.3 million net of accumulated depreciation as of June 30, 2014 and 2013 respectively. This investment in capital assets includes land, construction in progress, buildings, land improvements, revenue rolling stock, and equipment. The total increase in the District's investment in capital assets for FY 2014 was 7.2 percent. The total increase in the District's investment in capital assets for FY 2013 was 22.0 percent.

Major capital projects during FY 2014 included the remediation of Courthouse Square. Construction in progress at the end of the year was approximately \$685,523 for various projects.

Major capital projects during FY 2013 included the remediation of Courthouse Square, and construction of the Keizer Transit Center. Construction in progress at the end of the year was approximately \$3.8 million for the remediation of Courthouse Square and \$508,000 for various other projects.

	<u>2014</u>	<u>June 30,</u>		<u>Increase/(decrease)</u>	
			<u>2013</u>	<u>2012</u>	<u>2014 - 2013</u>
Land	\$ 2,050,691	\$ 2,050,691	\$ 2,050,691	\$ -	\$ -
Construction in progress	685,523	4,308,914	1,670,053	(3,623,391)	2,638,861
Buildings	19,850,285	11,520,160	9,862,314	8,330,125	1,657,846
Land improvements	3,454,594	3,573,889	-	(119,295)	3,573,889
Revenue rolling stock	9,488,924	11,777,007	13,433,329	(2,288,083)	(1,656,322)
Equipment	1,325,124	1,140,975	1,139,855	184,149	1,120
	<u>\$ 36,855,141</u>	<u>\$ 34,371,636</u>	<u>\$ 28,156,242</u>	<u>\$ 2,483,505</u>	<u>\$ 6,215,394</u>

Additional information on the District's capital assets can be found in note 5 on pages 19 – 20 of this report.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to:

Salem Area Mass Transit District  
555 Court Street NE, Suite 5230  
Salem, Oregon 97301-3980

# Cherriots

SALEM-KEIZER TRANSIT



NO CONTENT APPEARS  
ON THIS PAGE BY DESIGN



# **Basic Financial Statements**

**Salem Area Mass Transit District**  
**Statements of Net Position**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets		
Unrestricted cash and cash equivalents	\$ 7,631,563	\$ 4,746,675
Accounts receivable	236,792	244,997
Property taxes receivable	660,274	748,769
Prepaid expenses	191,859	211,829
Inventories	682,056	623,943
Restricted cash and cash equivalents	-	3,466,603
Federal grants receivable	5,559,318	12,872,886
State grants receivable	<u>5,187,117</u>	<u>1,237,427</u>
Total current assets	<u>20,148,979</u>	<u>24,153,129</u>
Capital assets		
Land	2,050,691	2,050,691
Land improvements (net of depreciation)	3,454,594	3,573,889
Buildings and improvements (net of depreciation)	19,850,285	11,520,160
Buses and equipment (net of depreciation)	10,814,048	12,917,982
Construction in progress	<u>685,523</u>	<u>4,308,914</u>
Total capital assets	<u>36,855,141</u>	<u>34,371,636</u>
Total assets	<u>\$ 57,004,120</u>	<u>\$ 58,524,765</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 371,691	\$ 339,568
Accounts payable from restricted assets	1,527,627	1,844,427
Payroll, withholdings and payroll taxes	619,570	571,522
Construction retainage	12,003	198,219
Due to other governments from restricted assets	32,923	19,879
Accrued vacation and sick leave	1,154,083	1,085,471
Net benefit obligation	<u>431,156</u>	<u>2,019,314</u>
Total current liabilities	<u>4,149,053</u>	<u>6,078,400</u>
Noncurrent liabilities		
Net OPEB obligation	<u>2,285,030</u>	<u>1,904,030</u>
Total liabilities	<u>6,434,083</u>	<u>7,982,430</u>
<b>Net position</b>		
Investment in capital assets	36,855,141	34,371,636
Restricted for capital projects	4,017,170	3,952,823
Restricted for special transportation	1,038,737	975,514
Unrestricted	<u>8,658,989</u>	<u>11,242,362</u>
Total net position	<u>50,570,037</u>	<u>50,542,335</u>
Total liabilities and net position	<u>\$ 57,004,120</u>	<u>\$ 58,524,765</u>

**Salem Area Mass Transit District**  
**Statements of Revenues, Expenses and Changes In Net Position**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

	2014	2013
<b>Operating revenues</b>		
Passenger fares	\$ 2,776,575	\$ 2,793,604
Accessible services and medicaid	3,129,220	3,127,234
Other revenues	<u>465,052</u>	<u>653,937</u>
Total operating revenues	<u>6,370,847</u>	<u>6,574,775</u>
<b>Operating expenses</b>		
Personal services	17,077,508	16,130,831
Materials and services	14,486,383	12,290,117
Accessible services and special transportation	3,824,460	3,909,888
Depreciation	3,032,068	2,883,582
OPEB expense	<u>381,000</u>	<u>381,000</u>
Total operating expenses	<u>38,801,419</u>	<u>35,595,418</u>
<b>Operating loss</b>	(32,430,572)	(29,020,643)
<b>Non-operating revenues</b>		
Property taxes	10,179,017	9,984,733
State assistance	5,746,114	5,251,979
Federal assistance	11,786,100	12,538,020
Earnings on investments	53,457	65,672
Gain on disposal of capital assets	<u>1,859</u>	<u>14,000</u>
Total non-operating revenues	<u>27,766,547</u>	<u>27,854,404</u>
Change in net position before extraordinary items and capital contributions	(4,664,025)	(1,166,239)
<b>Extraordinary items</b>		
Litigation settlement	<u>-</u>	<u>3,842,554</u>
<b>Capital contributions</b>		
Federal and state grants for capital acquisition	<u>4,691,727</u>	<u>5,519,348</u>
Changes in net position	27,702	8,195,663
<b>Total net position - beginning of year</b>	<u>50,542,335</u>	<u>42,346,672</u>
<b>Total net position - end of year</b>	<u>\$ 50,570,037</u>	<u>\$ 50,542,335</u>



**Salem Area Mass Transit District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

	2014	2013
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 6,379,052	\$ 6,339,101
Payments to employees for services	(18,549,006)	(17,450,901)
Cash paid to suppliers for good and services	(18,633,663)	(16,462,856)
Net cash used for operating activities	<u>(30,803,617)</u>	<u>(27,574,656)</u>
<b>Cash flows from noncapital financing activities</b>		
Receipts from property taxes	10,267,512	10,011,436
Receipts from state assistance	5,309,468	7,752,380
Receipts from federal assistance	18,622,262	6,766,838
Net cash provided by noncapital financing activities	<u>34,199,242</u>	<u>24,530,654</u>
<b>Cash flows from capital and related financing activities</b>		
Receipts from capital grants	1,669,133	4,652,646
Receipts from litigation/insurance recoveries	-	3,842,554
Acquisition and construction of capital assets	(5,701,789)	(8,900,757)
Sale of capital assets	1,859	14,000
Net cash provided (used) for capital and related financing activities	<u>(4,030,797)</u>	<u>(391,557)</u>
<b>Cash flows from investing activities</b>		
Interest received	53,457	65,672
<b>Net change in cash and cash equivalents</b>	(581,715)	(3,369,887)
<b>Cash and cash equivalents, July 1</b>	<u>8,213,278</u>	<u>11,583,165</u>
<b>Cash and cash equivalents, June 30</b>	<u>\$ 7,631,563</u>	<u>\$ 8,213,278</u>
<b>Reconciliation of operating loss to net cash used for operating activities</b>		
Operating loss	\$ (32,430,572)	\$ (29,020,643)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	3,032,068	2,883,582
OPEB expense	381,000	381,000
(Increase) decrease in accounts receivable	8,205	4,326
(Increase) decrease in prepaid expenses	19,970	103,659
(Increase) decrease in inventories	(58,113)	131,311
Increase (decrease) in accounts payable	32,123	(193,517)
Increase (decrease) in accounts payable from restricted assets	(316,800)	(304,304)
Increase (decrease) in payroll, withholdings and payroll taxes	(1,540,110)	(1,350,523)
Increase (decrease) in accrued vacation and sick leave	68,612	30,453
Increase (decrease) in unearned revenue	-	(240,000)
Net cash used for operating activities	<u>\$ (30,803,617)</u>	<u>\$ (27,574,656)</u>
<b>Noncash Investing, Capital, and Financing Activities</b>		
Noncash portion of capital contributions	<u>\$ -</u>	<u>\$ -</u>

**Salem Area Mass Transit District  
Notes To The Basic Financial Statements  
For the Years Ended June 30, 2014 and 2013**

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**(1) Summary of Significant Accounting Policies**

The financial statements of the Salem Area Mass Transit District (District) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to government units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Financial Reporting Entity**

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable and other organizations that, by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Based on these criteria, the District is considered a primary government and does not have any component unit relationships. Conversely, the District is not considered a component unit of any primary government.

**B. Organization and Operation**

The District was organized under the provisions of Oregon Revised Statutes (ORS) Chapter 267 to provide mass transit services to the Salem/Marion County area. Formation of the District was effective in 1979. Under ORS 267, the District is authorized to levy taxes and charge fares to pay for the operations of the District. The District is also authorized to issue general obligation bonds and revenue bonds.

The District is governed by an elected seven-member Board of Directors. Board members represent and must live in certain geographical sub-districts. The Board of Directors sets District policy, levies taxes, appropriates funds, adopts budgets, and performs other duties required by state and federal law.

**C. Basis of Accounting and Revenue Recognition**

The District is reported as a single proprietary unit. Proprietary reporting is used to account for operations and activities that are similar to those found in the private sector.

The financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows.

Operating revenues consist primarily of passenger fares and funds received for special transportation. Operating expenses include the costs of operating the District, including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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Revenues are recognized when they are earned and available to meet current obligations. Expenses are recognized when they are incurred. The District applies a flow of economic resources measurement focus, whereby all assets and liabilities associated with the operation of the District are included on the Statement of Net Position.

Ad valorem property taxes are levied and become a lien on all taxable property as of July 1. Property taxes are payable on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

Federal and state grant contributions for capital acquisitions are recorded as capital contributions and are included in net income when earned. Federal and state grant receipts relating to operating expenses are recorded as non-operating revenue when earned.

**D. Restricted Assets**

Restricted assets consist of assets restricted for federal capital grant programs and State of Oregon special transportation programs. 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.

**E. Cash and Investments**

ORS 294.035 authorizes the District to invest in obligations of the U.S. Treasury and agencies, time certificates of deposit, bankers' acceptances, repurchase agreements, certain types of corporate bonds, and the State of Oregon Local Government Investment Pool. Such investments are stated at cost. The investments are increased by accretion of discounts and reduced by amortization of premiums, which are computed by the straight-line method and approximates fair market value.

Fair value is defined as the amount at which an investment could be exchanged between willing parties, other than in a forced or liquidation sale.

For purposes of the statement of cash flows, the District considers cash and equivalents to include all highly liquid debt instruments with an original maturity of three months or less.

**F. Inventories**

Inventories of fuel, lubricants, parts, and supplies are valued at cost, which approximates market, using the average cost method.

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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**G. Prepaid Expenses**

Payments to vendors reflecting costs applicable to future accounting periods are recorded as prepaid expenses.

**H. Capital Assets**

Capital assets are stated at cost, except for donated capital assets, which are stated at the fair market value on the date of donation. Expenditures for additions and improvements with a value in excess of \$5,000 and a useful life of more than one year are capitalized. Expenditures for maintenance, repairs, and minor improvements are charged to operations as incurred. Upon disposal of capital assets, the accounts are relieved of the related costs and accumulated depreciation, and the resulting gains or losses are reflected in the statement of revenues, expenses, and changes in net position.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets net of accumulated depreciation, intended to represent an estimate of the current condition, of the assets or the maintenance requirements needed to maintain the assets at their current level of condition.

Asset	Years
Buildings, Shelters, Stations	10 – 50
Revenue Rolling Stock	5 – 12
Equipment	3 – 10

Monthly depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

**I. Vacation and Sick Pay**

Vacation pay is vested when earned. Employees earn annual leave based on length of service to the District. Unpaid vested vacation is shown as vested compensated absences on the Statement of Net Position and recorded as an expense when earned.

Sick pay is accrued on a bi-weekly basis. Payouts are either 50 percent or 20 percent of the balance depending on the accrued hours and length of service. Sick pay is recorded as a liability on the statement of net position and an expense as accrued.

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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**J. Retirement Plans**

Substantially all of the District's employees are participants in retirement plans. Contributions to the plans are made on a current basis as required by the plans and are charged to expenses as the related liability is incurred.

**K. Use of Estimates**

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

**L. Net Position**

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories.

Investment in capital assets — consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets, if any.

Restricted — consists of external constraints placed on net position use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted — consists of all other net position that is not included in the other categories previously mentioned.

**M. New Pronouncements**

During FY 2013, the District implemented the following GASB pronouncements:

- GASB Statement No. 61, "The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No 14 and No 34." This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation), and certain disclosure requirements. The District has determined that this statement has no significant impact on the District's financial statements.
- GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement codifies into GASB accounting and financial reporting standards the "legacy" standards from the private sector. The objective of this statement is to improve

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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financial reporting by codifying all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. It eliminates the need for financial statement preparers and auditors to determine which Financial Accounting Standards Board (FASB) and American Institute of CPAs (AICPA) pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. Although the District previously elected not to follow subsequent private-sector guidelines, there was no impact on the financial statements in the current year as a result of the application of this statement.

- GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.” This statement establishes accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that may have been previously reported as assets and liabilities. The District has modified financial statement terminology to be consistent with the requirements of this statement.
- GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities.” This Statement specifies the items that were previously reported as assets and liabilities should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. While a conceptual understanding of the definition of deferred outflows of resources might lead to the reclassification of pension contribution in excess of annual required contribution as such, the modification of GASB Statement No. 27, and the creation of this amount as an asset are not specifically listed as modified in GASB Statement No. 65. As such the pension contribution in excess of annual required contribution remains classified as an asset for financial statement presentation. The District has determined that this statement has no significant impact on the District’s financial statements.

During FY 2014, the District implemented the following GASB pronouncements:

- GASB Statement No. 66, “Technical Corrections – 2012–An Amendment of GASB Statement 10 and No. 62.” The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The District has determined that this statement has no significant impact on the District’s financial statements.
- GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” The objective of the statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement is effective for reporting periods beginning after June 15, 2013. The District has determined that this statement has no significant impact on the District’s financial statements.

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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**(2) Stewardship, Compliance, and Accountability**

For budgeting purposes, the District consists of a general fund, capital improvement fund, and special transportation fund. This is in conformity with Oregon Budget Law. Budgetary basis revenues and expenditures are recognized on the modified accrual basis. The treatment of capital expenditures is the principal difference between the budgetary basis and the accrual basis. Capital expenditures on a budgetary basis are recorded as current expenditures.

Financial operations of the District are accounted for in the following budgetary funds:

*General Fund*

The fund accounts for all financial resources and expenditures related to the District's general operations, except those required to be accounted for in another fund. The principal revenue sources are property taxes, state payroll assessments, passenger fares and federal operating assistance.

*Capital Improvement Fund*

This fund accounts for major capital acquisitions and projects. The principal revenue sources are capital grants from the Federal Transit Administration and transfers from the General Fund.

*Special Transportation Fund*

This fund accounts for expenditures related to transportation service to special public groups. The fund's principal sources of revenue are Federal grants and reimbursements, State special transportation formula grants and transfers from the General Fund.

The General Manager submits a proposed operating and capital budget to the Budget Committee a sufficient length of time in advance to allow adoption of the budget prior to July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments.

The District legally adopts its annual budget prior to July 1 through passage of a resolution. The resolution authorizes appropriations by fund and at broad classification levels for personal services, materials and services, capital outlay, and contingency. Expenditures cannot legally exceed appropriations at these control levels. Appropriations that have not been spent at year-end expire.

The Board of Directors, by resolution, may amend the budget as originally adopted. One amendment totaling approximately \$304,000 was made to the budget during the year ended June 30, 2014.

The Capital Project fund had over-expenditures for capital outlay in the amount of \$242,358. The Special Transportation Fund had over-expenditures for materials and services of \$354,255.

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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**(3) Cash and Cash Equivalents**

The District maintains a cash and investment pool that is available for use by all funds, except for restricted cash and investments. At June 30, 2014 and 2013 the carrying value of cash and investments and fair value are approximately equal. At June 30, 2014 and 2013, cash and investments included in cash and cash equivalents consisted of:

	<u>2014</u>	<u>2013</u>
<i><b>Cash</b></i>		
Cash on hand	\$ 32,951	\$ 25,342
Deposits with financial institutions	352,680	382,154
Cash held by Marion Co. for Courthouse Square remediation	-	950,331
<i><b>Investments</b></i>		
Local government investment pool	<u>7,245,932</u>	<u>6,855,451</u>
<i>Total cash and investments</i>	<u>\$ 7,631,563</u>	<u>\$ 8,213,278</u>
Unrestricted cash and investments	\$ 8,592,387	\$ 4,746,675
Restricted cash and investments	<u>(960,824)</u>	<u>3,466,603</u>
<i>Total cash and investments</i>	<u>\$ 7,631,563</u>	<u>\$ 8,213,278</u>

**A. Deposits**

As of June 30, 2014 and 2013, the book balance of the District's bank deposits (checking accounts) was \$352,680 and \$382,154 and the bank balance was \$537,698 and \$1,266,115 respectively. The difference is due to transactions in process.

**B. Custodial Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned. Effective July 1, 2008, the State of Oregon formed the Oregon Public Funds Collateralization Program under ORS 295. The collateralization program creates a statewide pool of qualified bank depositories for local governments, providing collateralization for bank balances that exceed the limits of federal depository insurance, and eliminating the need for certificates of participation. As of June 30, 2014 and 2013, none of the District's bank balances were exposed to credit risk.



**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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**C. Investments**

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund, of which the Local Government Investment Pool (LGIP) is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations.

At June 30, 2014 and 2013, the fair value of the District's position in the LGIP was approximately equal to the value of the pool shares. The investment in the Oregon Short-term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

**D. Interest Rate Risk - Investments**

In accordance with its investment policy, the District manages its exposure to declines in fair value of its investments by limiting the maximum maturity of its investments to one year or less.

**E. Custodial Risk - Investments**

For an investment, there is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. Currently the District's investments are limited to the LGIP.

**F. Credit Risk - Investments**

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. The LGIP is not rated for credit risk.

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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**(4) Restricted Assets**

Restricted assets are restricted for capital outlay and special transportation.

	<i><b>Total Restricted Assets</b></i>	<i><b>Less Current Liabilities Payable</b></i>	<i><b>Net Restricted Assets (Liabilities)</b></i>
<b>2014</b>			
<i><b>Restricted for capital</b></i>			
Cash and investments	\$ (68,753)	\$ (158,048)	\$ (226,801)
Federal grants receivable	743,971	-	743,971
State grants receivable	3,500,000	-	3,500,000
<i>Total restricted for operating capital</i>	<u>4,175,218</u>	<u>(158,048)</u>	<u>4,017,170</u>
<i><b>Restricted for special transportation</b></i>			
Cash and investments	(892,071)	(1,476,678)	(2,368,749)
Federal grants receivable	3,015,716	-	3,015,716
State grants receivable	391,770	-	391,770
<i>Total restricted for special transportation</i>	<u>2,515,415</u>	<u>(1,476,678)</u>	<u>1,038,737</u>
	<u>\$ 6,690,633</u>	<u>\$ (1,634,726)</u>	<u>\$ 5,055,907</u>
<b>2013</b>			
<i><b>Restricted for capital</b></i>			
Cash and investments	\$ 3,437,708	\$ (707,545)	\$ 2,730,163
Federal grants receivable	1,221,377	-	1,221,377
State grants receivable	1,283	-	1,283
<i>Total restricted for operating capital</i>	<u>4,660,368</u>	<u>(707,545)</u>	<u>3,952,823</u>
<i><b>Restricted for special transportation</b></i>			
Cash and investments	28,895	(1,137,873)	(1,108,978)
Federal grants receivable	2,068,182	-	2,068,182
State grants receivable	16,310	-	16,310
<i>Total restricted for special transportation</i>	<u>2,113,387</u>	<u>(1,137,873)</u>	<u>975,514</u>
	<u>\$ 6,773,755</u>	<u>\$ (1,845,418)</u>	<u>\$ 4,928,337</u>

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**(5) Capital Assets**

The changes in capital assets for the year ended June 30, 2014 are summarized below:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Adjustments</b>	<b>Ending Balance</b>
<b>Capital assets, non-depreciable:</b>					
Land	\$ 2,050,691	\$ -	\$ -	\$ -	\$ 2,050,691
Construction in progress	4,308,914	448,743	-	(4,072,134)	685,523
Total capital assets, non-depreciable	<u>6,359,605</u>	<u>448,743</u>	<u>-</u>	<u>(4,072,134)</u>	<u>2,736,214</u>
<b>Capital assets, depreciable:</b>					
Buildings	16,501,439	4,869,693	-	3,877,647	25,248,779
Land improvements	3,578,860	-	-	-	3,578,860
Revenue rolling stock	27,080,183	58,350	(215,131)	-	26,923,402
Equipment	5,117,371	138,787	(305,357)	194,487	5,145,288
Total capital assets, depreciable	<u>52,277,853</u>	<u>5,066,830</u>	<u>(520,488)</u>	<u>4,072,134</u>	<u>60,896,329</u>
<b>Less accumulated depreciation:</b>					
Buildings	(4,981,279)	(417,215)	-	-	(5,398,494)
Land improvements	(4,971)	(119,295)	-	-	(124,266)
Revenue rolling stock	(15,303,176)	(2,346,433)	215,131	-	(17,434,478)
Equipment	(3,976,396)	(149,125)	305,357	-	(3,820,164)
Total accumulated depreciation	<u>(24,265,822)</u>	<u>(3,032,068)</u>	<u>520,488</u>	<u>-</u>	<u>(26,777,402)</u>
Net depreciable capital assets	<u>28,012,031</u>	<u>2,034,762</u>	<u>-</u>	<u>4,072,134</u>	<u>34,118,927</u>
<b>Net capital assets</b>	<u>\$ 34,371,636</u>	<u>\$ 2,483,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,855,141</u>

The changes in capital assets for the year ended June 30, 2013 are summarized below:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Impairment/ Adjustments</b>	<b>Ending Balance</b>
<b>Capital assets, non-depreciable:</b>					
Land	\$ 2,050,691	\$ -	\$ -	\$ -	\$ 2,050,691
Construction in progress	1,670,053	3,765,147	-	(1,126,286)	4,308,914
Total capital assets, non-depreciable	<u>3,720,744</u>	<u>3,765,147</u>	<u>-</u>	<u>(1,126,286)</u>	<u>6,359,605</u>
<b>Capital assets, depreciable:</b>					
Buildings	14,449,830	1,642,314	-	409,295	16,501,439
Land improvements	-	2,864,879	-	713,981	3,578,860
Revenue rolling stock	28,493,228	636,034	(2,049,079)	-	27,080,183
Equipment	4,923,759	190,602	-	3,010	5,117,371
Total capital assets, depreciable	<u>47,866,817</u>	<u>5,333,829</u>	<u>(2,049,079)</u>	<u>1,126,286</u>	<u>52,277,853</u>
<b>Less accumulated depreciation:</b>					
Buildings	(4,587,516)	(393,763)	-	-	(4,981,279)
Land improvements	-	(4,971)	-	-	(4,971)
Revenue rolling stock	(15,059,899)	(2,292,356)	2,049,079	-	(15,303,176)
Equipment	(3,783,904)	(192,492)	-	-	(3,976,396)
Total accumulated depreciation	<u>(23,431,319)</u>	<u>(2,883,582)</u>	<u>2,049,079</u>	<u>-</u>	<u>(24,265,822)</u>
Net depreciable capital assets	<u>24,435,498</u>	<u>2,450,247</u>	<u>-</u>	<u>1,126,286</u>	<u>28,012,031</u>
<b>Net capital assets</b>	<u>\$ 28,156,242</u>	<u>\$ 6,215,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,371,636</u>

The federal government retains a reversionary interest in property and equipment to the extent of capital grants provided for their purchase. Upon disposal of property and

**Salem Area Mass Transit District**  
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**For the Years Ended June 30, 2014 and 2013**

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equipment, a prorated share of proceeds in excess of \$5,000, if any, is returned to the federal governments.

**(6) Employee Retirement Plans**

The District provides retirement benefits to its employees through two defined benefit plans, a defined contribution plan and a deferred compensation plan.

**A. Defined Benefit Plans**

The District provides pension benefits through two single-employer defined benefit pension plans. In a defined benefit plan, benefits are determined using benefit formulas which take into account actuarial information. The plans were effective January 1, 2002 and are administered by an outside organization. No separate financial statements are available for these plans. The District's Board of Directors holds the authority for establishing and amending plan benefits and funding policies for both defined benefit plans.

The defined benefit plans provide pension benefits to eligible full-time bargaining and non-bargaining employees. Regular career status employees who have successfully completed the probationary period of six months or 1,000 hours of service, whichever is later, are eligible to participate.

The District makes all contributions to the plan. The District's contributions for each employee (and investment earnings allocated to the employee's account) are fully vested after five years of service. District contributions for, and investment earnings forfeited by, employees who leave employment before five years of service, are used to reduce the District's contribution requirements.

The annual benefit costs are as follows:

		<u>Annual Benefit Cost</u>	<u>Percent Contributed</u>	<u>Net Benefit Obligation</u>
Bargaining				
	2014	\$ 1,367,097	76%	\$ 325,694
	2013	1,314,866	100%	-
	2012	1,352,215	100%	-
Non-bargaining				
	2014	\$ 464,682	77%	\$ 105,462
	2013	488,735	100%	-
	2012	545,000	100%	-

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The District's annual benefit cost and net benefit obligation year ended June 30, 2014 and 2013:

<u>Bargaining</u>	<u>2014</u>	<u>2013</u>
Annual required contribution(ARC)	\$ 1,367,097	\$ 1,314,866
Interest on net pension obligation	-	-
Adjustment to ARC	-	-
Annual pension cost	<u>1,367,097</u>	<u>1,314,866</u>
Contributions made	2,356,269	-
Increase (decrease) in net pension obligations	<u>(989,172)</u>	<u>1,314,866</u>
Net pension obligation beginning of year	<u>1,314,866</u>	<u>-</u>
Net pension obligation end of year	<u><u>\$ 325,694</u></u>	<u><u>\$ 1,314,866</u></u>
 <u>Non-bargaining</u>		
Annual required contribution(ARC)	\$ 464,682	\$ 488,735
Interest on net pension obligation	-	-
Adjustment to ARC	-	-
Annual pension cost	<u>464,682</u>	<u>488,735</u>
Contributions made	1,063,668	-
Increase (decrease) in net pension obligations	<u>(598,986)</u>	<u>488,735</u>
Net pension obligation beginning of year	<u>704,448</u>	<u>215,713</u>
Net pension obligation end of year	<u><u>\$ 105,462</u></u>	<u><u>\$ 704,448</u></u>

The benefit payable at a participant's normal retirement date will be equal to the excess of 1.64 percent times the participant's final average salary times the participant's benefit credits for the non-bargaining employees or 1.64 percent for the bargaining unit employees over the amount which is the actuarial equivalent of the participant's account balance in the Salem Area Mass Transit District Non-Bargaining Unit Retirement Plan (Defined Contribution Plan) as of termination of employment.

The annual required contributions were determined as part of the July 1, 2011 actuarial valuations. The asset valuation method used to determine the actuarial value of assets was the market value method. The actuarial cost method used to determine liabilities was the entry age normal cost method. The actuarial assumptions included a 7.00 percent investment return (net of investment expenses), and projected salary increases ranging from 8.25 percent to 4.0 percent per year. The assumptions did not include post-retirement benefit increases, as the Plan does not provide such benefits. The unfunded actuarial accrued liability is being amortized as a level dollar amount over a closed amortization period of 12 years.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan

**Salem Area Mass Transit District  
Notes To The Basic Financial Statements  
For the Years Ended June 30, 2014 and 2013**

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assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**B. Defined Contribution Plan**

The District provides pension benefits through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered by ICMA. The District's Board of Directors holds the authority for establishing and amending plan provisions and contribution requirements for the defined contribution plan.

The defined contribution plan provides pension benefits to eligible full-time non-bargaining employees. Regular career status employees who have successfully completed the probationary period of six months or 1,000 hours of service, whichever is later, are eligible to participate.

The District makes all contributions to the plan. The District's contributions for each employee (and investment earnings allocated to the employee's account) are fully vested after five years of service. District contributions for, and investment earnings forfeited by, employees who leave employment before five years of service, are used to reduce the District's contribution requirements.

The contribution rate is 10 percent of employee's gross salary for non-bargaining unit employees. Covered payroll, total payroll and required contributions for 2014, 2013, and 2012 were:

	<u><i>Covered Payroll</i></u>	<u><i>Total Payroll</i></u>	<u><i>Required Contributions</i></u>
2014	\$ 3,636,121	\$ 10,189,618	\$ 363,612
2013	3,526,503	9,761,218	352,650
2012	3,515,915	9,610,951	351,592

**(7) Post Employment Benefits Other than Pensions**

**A. Plan Description**

The District administers a single-employer defined benefit healthcare plan per the requirements of collective bargaining agreements. The plan provides an explicit employer benefit of up to the cost per month per pre-Medicare retiree toward postretirement healthcare insurance for eligible retirees, and at cost for retiree spouses, through the District's group health insurance plans, which cover both active and retired participants. The level of benefits provided by the plan are the same as those afforded to active employees. This level of coverage is provided to retirees until they become eligible for Medicare, typically age 65.

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The District's post-retirement healthcare plan was established in accordance with ORS 243.303. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees and their spouses. The difference between retiree claim costs (which because of the effect of age is generally higher in comparison to all plan members) and the amount of retiree healthcare premiums represents the District's implicit employer contribution.

The District has not established a trust fund to supplement the costs for the net other post-employment benefit (OPEB) obligation. No standalone financial report is generated for the plan.

**B. Funding Policy**

The District collects insurance premiums, net of applied explicit benefits, from all retirees each month. The District then pays health insurance premiums for all retirees at the blended rate for each family classification. The required contribution to the plan included the employer's pay-as-you-go amount, an amount paid by retirees and an additional amount calculated to prefund future benefits as determined by the actuary. The District has elected to not pre-fund the actuarially determined future cost. The amount paid by the District for retiree's, and eligible retiree spouses, healthcare for the years ended June 30, 2014 and 2013 was \$77,625 and \$62,766 respectively.

**C. Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the guidelines of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. As of the date of this report the actuarial valuation for June 30, 2014 had not been completed. The District estimated the increase in net OPEB obligation for the year ended June 30, 2014 to be \$381,000. The following table shows the components of the District's annual OPEB cost for the fiscal year ending June 30, 2014, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	<u>2014*</u>	<u>2013*</u>	<u>2012</u>
Annual required contribution	\$ 601,000	\$ 601,000	\$ 572,743
Interest earned on net OPEB obligation	40,000	40,000	40,376
Adjustment to the annual required contribution	<u>(50,000)</u>	<u>(50,000)</u>	<u>(82,326)</u>
Annual OPEB cost	591,000	591,000	530,793
Estimated benefit payments	<u>210,000</u>	<u>210,000</u>	<u>161,367</u>
Increase in Net OPEB obligation	381,000	381,000	369,426
Beginning net OPEB obligation	<u>1,904,030</u>	<u>1,523,030</u>	<u>1,153,604</u>
Ending net OPEB obligation	<u>\$ 2,285,030</u>	<u>\$ 1,904,030</u>	<u>\$ 1,523,030</u>

\*Amounts estimated as actuarial valuation was not complete by date of report.

**Salem Area Mass Transit District  
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The District's percentage of annual OPEB cost contributed to the plan for fiscal years ending June 30, 2014, 2013, and 2012 was 36 percent, 36 percent, and 30 percent, respectively.

**D. Funding Status**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and the new estimates are made about the future. As of the date of this report the actuarial valuation for June 30, 2014 had not been completed. The funded status of the plan at June 30, 2012, based on the July 1, 2011 actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
7/1/2011	\$ -	\$3,951,083	\$3,951,083	0.00%	\$9,698,818	41%
7/1/2008	-	3,846,335	3,846,335	0.00%	9,389,595	41%

**E. Actuarial Methods and Assumptions**

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The July 1, 2011 actuarial valuation used the projected unit credit cost method, an assumed 3.5 percent rate of return, and a healthcare cost inflation trend of 10.0 percent premiums for fiscal year 2012, 7.1 percent after the second year, 6.7 percent after the third year, 5.9 percent for the 4th year, 5.7 percent for the 5th year, and slowly decreasing to an ultimate rate of 5.1 percent in 2046 and beyond. The general inflation rate is assumed to be 2.75 percent per year. Retirement and withdrawal rates are the same as those used by the District in the actuarial valuations of retirement benefits. The discount rate is selected based on the expected long-term annual investment returns for Oregon's Local Government Investment Pool and comparable investment vehicles. The unfunded actuarially accrued liability is amortized as a level percent of payroll over 15 years on a rolling basis.



**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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**(8) Interfund Transfers**

Interfund transfers for the year ended June 30, 2014 consisted of the following:

<u>Transfers to:</u>	<u>Transfers from:</u>		
	<u>General</u>	<u>Special Transportation</u>	<u>Total</u>
General	\$ -	\$ -	\$ -
Capital Projects	1,824,178	447	1,824,625
Special Transportation	974,950	-	974,950
	<u>\$ 2,799,128</u>	<u>\$ 447</u>	<u>\$ 2,799,575</u>

Transfers are used to (1) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) use unrestricted reserve funds.

**(9) Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

**(10) Reclassification**

Certain amounts in prior-year financial statements have been reclassified for comparative purposes to conform to presentation in the current-year financial statements.

**(11) Commitments and Contingencies**

Under the terms of federal and state grants, periodic audits are required and costs may be questioned as not being appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. District management believes disallowance, if any, will be immaterial.

As of June 30, 2014, the District also had commitment of approximately \$164,243 for architectural work related to the South Salem Transit Center.

The District has a long-term lease agreement for storage space. During the year ended June 30, 2014 the District vacated the office space that was being rented while the Courthouse Square building and transit mall were being remediated. Rent for the office space for the fiscal years ended June 30, 2014 and 2013 was \$279,217 and \$284,842, respectively. Rent

**Salem Area Mass Transit District  
Notes To The Basic Financial Statements  
For the Years Ended June 30, 2014 and 2013**

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for the storage space for fiscal years ended June 30, 2014 and 2013 was \$3,726 and \$3,672, respectively. Future obligations under the agreement are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 3,768
2016	3,768

**(12) Courthouse Square – Extraordinary Item**

The Transit District and Marion County are the owners of the condominium units in a multiple use complex that includes a bus mall, passenger waiting area, retail space, parking garage, hearing room and administrative offices. The District and County are members of a condominium association that is responsible for operating and managing the common areas of the condominium.

During FY 2013 the District recovered \$3,842,554 in litigation settlements associated with Courthouse Square. The District used these funds to partially fund the remediation project.

**(13) Subsequent Events**

Management has evaluated subsequent events through December 19, 2014 and is not aware of any other subsequent events that require recognition or disclosure in the financial statements.

**(14) New Pronouncements**

The District will implement new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the pronouncements.

GASB Statement No. 68 “Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 69, “Government Combinations and Disposals of Government Operations.” This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

GASB Statement No. 71, “Pension Transition for Contributions made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68.” The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, “Accounting and Financial Reporting for Pensions.” The statement is effective for fiscal years beginning after June 15, 2015.

## **Required Supplementary Information**

**Salem Area Mass Transit District**  
**Defined Benefit Pension Plan Schedule of Funding Progress**  
**For the Year Ended June 30, 2014 and 2013**

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Defined Benefit Pension Plan - Non-Bargaining

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
7/1/2011	\$ 3,465,323	\$ 5,820,946	\$ 2,355,623	60%	\$ 3,478,516	68%
7/1/2009	2,122,036	4,882,385	2,760,349	43%	3,369,982	82%
7/1/2008	1,886,101	3,981,096	2,094,995	47%	3,530,703	59%

Defined Benefit Pension Plan - Bargaining

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
7/1/2011	\$ 8,736,636	\$ 13,683,095	\$ 4,946,459	64%	\$ 5,903,889	84%
7/1/2009	5,378,800	11,166,926	5,788,126	48%	5,924,033	98%
7/1/2008	4,893,510	9,656,171	4,762,661	51%	5,955,768	80%

As of the date of this report the actuarial valuation for June 30, 2014 had not been completed.

# Supplementary Information

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## **BUDGETARY COMPARISON SCHEDULES**

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Enterprise Budgetary Comparison schedules include the following:

- General Fund
- Capital Project Fund
- Special Transportation Fund

**Salem Area Mass Transit District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual On A Non-GAAP Budgetary Basis - General Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Local revenue				
Passenger fares, passes & other fixed route services	\$ 2,725,300	\$ 2,725,300	\$ 2,666,599	\$ (58,701)
Property taxes	9,814,900	9,814,900	10,267,512	452,612
Advertising & other promotions	245,000	245,000	40,335	(204,665)
Courthouse square rentals	10,000	10,000	3,163	(6,837)
Earnings on investments	40,000	40,000	50,516	10,516
Miscellaneous	45,000	45,000	135,815	90,815
Total local revenue	<u>12,880,200</u>	<u>12,880,200</u>	<u>13,163,940</u>	<u>283,740</u>
State revenue				
Energy tax credits	150,000	150,000	-	(150,000)
State in lieu taxes	5,100,000	5,100,000	5,053,540	(46,460)
Total state revenue	<u>5,250,000</u>	<u>5,250,000</u>	<u>5,053,540</u>	<u>(196,460)</u>
Federal revenue				
FTA urbanized area formula program (5307)	3,828,562	3,828,562	2,413,984	(1,414,578)
FTA metropolitan & statewide planning (5303)	98,930	98,930	133,726	34,796
FTA job access / reverse commute programs (Section 3037)	-	-	118,107	118,107
Formula grants for other than urbanized areas (5311)	-	-	1,320	1,320
Oregon health authority - medical assistance programs (DMAP)	65,000	65,000	137,246	72,246
Rideshare/vanpool	260,000	260,000	-	(260,000)
Total federal revenue	<u>4,252,492</u>	<u>4,252,492</u>	<u>2,804,383</u>	<u>(1,448,109)</u>
Total revenues	<u>22,382,692</u>	<u>22,382,692</u>	<u>21,021,863</u>	<u>(1,360,829)</u>
<b>Expenditures</b>				
Personal services	17,263,110	17,263,110	15,957,524	1,305,586
Materials and services	5,153,324	5,153,324	4,587,018	566,306
Contingency	1,750,000	1,750,000	-	1,750,000
Total expenditures	<u>24,166,434</u>	<u>24,166,434</u>	<u>20,544,542</u>	<u>3,621,892</u>
Excess (deficiency) of revenues over expenditures	(1,783,742)	(1,783,742)	477,321	2,261,063
<b>Other financing sources (uses)</b>				
Transfers in from other funds	2,000	2,000	-	(2,000)
Transfer out to other funds	(2,809,747)	(2,809,747)	(2,799,128)	10,619
Net change in fund balance	(4,591,489)	(4,591,489)	(2,321,807)	2,269,682
<b>Fund balance, beginning of year</b>	<u>11,223,821</u>	<u>11,223,821</u>	<u>12,547,480</u>	<u>1,323,659</u>
<b>Fund balance, end of year</b>	<u>\$ 6,632,332</u>	<u>\$ 6,632,332</u>	<u>\$ 10,225,673</u>	<u>\$ 3,593,341</u>

**Salem Area Mass Transit District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual on a Non-GAAP Budget Basis - Capital Improvement Fund**  
**For the Fiscal Year Ended June 30, 2014**

Revenues	Budget		Actual	Variance
	Original	Final		
State Revenue				
State discretionary grants	\$ 1,879,400	\$ 1,879,400	\$ -	\$ (1,879,400)
Lottery backed bonds grant	-	-	3,500,000	3,500,000
Miscellaneous income	-	-	3,000	3,000
Total state revenue	<u>1,879,400</u>	<u>1,879,400</u>	<u>3,503,000</u>	<u>1,623,600</u>
Federal revenue				
Urbanized area formula (Section 5307)	980,000	980,000	17,104	(962,896)
FTA Job Access / Reverse Commute Programs (Section 3037)	24,236	24,236	28,794	4,558
Transportation for elderly persons and persons with disabilities (5310)	-	-	156,940	156,940
Alternatives analysis (5339)	100,000	100,000	611,444	511,444
New freedom program (5317)	252,820	252,820	-	(252,820)
Discretionary grants - section (5309)	1,056,900	1,056,900	321,935	(734,965)
American recovery and reinvestment act (ARRA)	50,000	50,000	55,510	5,510
Total federal revenue	<u>2,463,956</u>	<u>2,463,956</u>	<u>1,191,727</u>	<u>(1,272,229)</u>
Other revenue				
Earnings on investments	-	-	2,941	2,941
Total revenues	<u>4,343,356</u>	<u>4,343,356</u>	<u>4,697,668</u>	<u>354,312</u>
Expenditures				
Personal services	201,815	201,815	104,125	97,690
Materials and services	14,200	114,200	74,290	39,910
Capital outlay	5,921,122	5,821,122	6,063,480	(242,358)
Total expenditures	<u>6,137,137</u>	<u>6,137,137</u>	<u>6,241,895</u>	<u>(104,758)</u>
Excess (deficiency) of revenues over expenditures	(1,793,781)	(1,793,781)	(1,544,227)	459,070
Other financing sources (uses)				
Transfer from general fund	2,170,696	2,170,696	1,824,178	(346,518)
Transfer from other funds	-	4,000	447	(3,553)
Total other financing sources (uses)	<u>2,170,696</u>	<u>2,174,696</u>	<u>1,824,625</u>	<u>(350,071)</u>
Net change in fund balance	376,915	380,915	280,398	(100,517)
Fund balance, beginning of year	<u>2,905,459</u>	<u>2,905,459</u>	<u>3,736,772</u>	<u>831,313</u>
Fund balance, end of year	<u>\$ 3,282,374</u>	<u>\$ 3,286,374</u>	<u>\$ 4,017,170</u>	<u>\$ 730,796</u>

**Salem Area Mass Transit District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual on a Non-GAAP Budget Basis - Special Transportation Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Local revenue				
Passenger fares	\$ 425,850	\$ 425,850	\$ 394,575	\$ (31,275)
State revenue				
Special transportation fund program (ODOT)	660,942	660,942	673,720	12,778
Federal revenue				
Oregon health plan - medical assistance programs (DMAP)	6,405,958	6,405,958	7,193,016	787,058
Developmental disabilities transportation services (DD53)	2,715,655	2,715,655	3,010,828	295,173
Transportation for elderly persons and persons with disabilities (5310)	1,124,085	1,124,085	1,020,806	(103,279)
Formula grants for other than urbanized areas (5311)	331,050	331,050	193,201	(137,849)
Rideshare/TDM grant	-	-	285,725	285,725
Urbanized area formula (Section 5307)	<u>1,244,379</u>	<u>1,244,379</u>	<u>426,215</u>	<u>(818,164)</u>
Total federal revenue	<u>11,821,127</u>	<u>11,821,127</u>	<u>12,129,791</u>	<u>308,664</u>
Total revenues	<u>12,907,919</u>	<u>12,907,919</u>	<u>13,198,086</u>	<u>290,167</u>
<b>Expenditures</b>				
Personal services	859,707	1,059,707	1,015,860	43,847
Materials and services	<u>12,951,373</u>	<u>12,747,373</u>	<u>13,101,628</u>	<u>(354,255)</u>
Total expenditures	<u>13,811,080</u>	<u>13,807,080</u>	<u>14,117,488</u>	<u>(310,408)</u>
Excess (deficiency) of revenues over expenditures	(903,161)	(899,161)	(919,402)	600,575
<b>Other financing sources (uses)</b>				
Transfer from general fund	639,051	639,051	974,950	335,899
Transfer out to other funds	<u>(2,000)</u>	<u>(6,000)</u>	<u>(447)</u>	<u>5,553</u>
Total other financing sources (uses)	<u>637,051</u>	<u>633,051</u>	<u>974,503</u>	<u>341,452</u>
<b>Net change in fund balance</b>	(266,110)	(266,110)	55,101	321,211
<b>Fund balance, beginning of year</b>	<u>1,029,214</u>	<u>1,029,214</u>	<u>1,041,705</u>	<u>12,491</u>
<b>Fund balance, end of year</b>	<u>\$ 763,104</u>	<u>\$ 763,104</u>	<u>\$ 1,096,806</u>	<u>\$ 333,702</u>



**Salem Area Mass Transit District**

**Reconciliation of Net Change in Fund Balance on a Non-GAAP Budgetary Basis to Changes in Net Position on a GAAP Basis**

**For the Fiscal Year Ended June 30, 2014**

---

Net change in fund balance:

General fund	\$ (2,321,807)
Capital improvement fund	280,398
Special transportation fund	<u>55,101</u>

Total change in fund balance (1,986,308)

GAAP basis adjustments:

Capitalized capital assets	5,515,573
Depreciation expense	(3,032,068)
Property taxes accrual	(88,495)
OPEB liability adjustment	<u>(381,000)</u>

Change in net position \$ 27,702

# Cherriots

SALEM-KEIZER TRANSIT



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**Salem Area Mass Transit District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Capital Improvement Projects on a Non-GAAP Budget Basis**  
**For the Fiscal Year Ended June 30, 2014**

	Capital Project Administration	Del Webb Facility Improvements	Cherriots Vehicles	CherryLift Vehicles	CARTS Vehicles
<b>Revenues</b>					
State Revenue					
Lottery backed bonds grant	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous income	-	3,000	-	-	-
Total state revenue	-	3,000	-	-	-
Federal revenue					
Urbanized area formula (Section 5307)	-	-	-	-	-
FTA Job Access / Reverse Commute Programs (Section 3037)	-	28,794	-	-	-
Transportation for elderly persons and persons with disabilities (5310)	-	-	-	128,915	3,908
Alternatives analysis (5339)	-	-	-	-	-
Discretionary grants - section (5309)	-	4,151	-	-	-
American recovery and reinvestment act (ARRA)	-	-	-	-	-
Total federal revenue	-	32,945	-	128,915	3,908
Other revenue					
Earnings on investments	-	-	-	-	-
Total revenues	-	35,945	-	128,915	3,908
<b>Expenditures</b>					
Personal services	30,610	179	-	-	-
Materials and services	597	-	-	-	-
Capital outlay	-	189,744	-	143,984	4,355
Total expenditures	31,207	189,923	-	143,984	4,355
Excess (deficiency) of revenues over expenditures	(31,207)	(153,978)	-	(15,069)	(447)
<b>Other financing sources (uses)</b>					
Transfer from general fund	31,207	153,978	1,000,000	15,069	-
Transfer from other funds	-	-	-	-	447
Total other financing sources (uses)	31,207	153,978	1,000,000	15,069	447
Net change in fund balance	-	-	1,000,000	-	-
<b>Fund balance, beginning of year</b>	192,129	114,800	1,437,894	120,700	-
<b>Fund balance, end of year</b>	\$ 192,129	\$ 114,800	\$ 2,437,894	\$ 120,700	\$ -

Non-Revenue Vehicles	Keizer Transit Center	South Salem Transit Center	Bus Stop Improvements	Business Intelligence	Call Center Phone Replacement	Equipment	Courthouse Square Remediation	Furnishings	Leased Space Improvements	Total Capital Improvement Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,500,000	\$ -	\$ -	\$ 3,500,000
-	-	-	-	-	-	-	-	-	-	3,000
-	-	-	-	-	-	-	3,500,000	-	-	3,503,000
-	-	-	17,104	-	-	-	-	-	-	17,104
-	-	-	-	-	24,117	-	-	-	-	28,794
-	-	-	-	-	-	-	611,444	-	-	156,940
-	91,251	226,533	-	-	-	-	-	-	-	611,444
-	-	-	-	55,510	-	-	-	-	-	321,935
-	91,251	226,533	17,104	55,510	24,117	-	611,444	-	-	55,510
-	-	-	-	-	-	-	2,941	-	-	1,191,727
-	91,251	226,533	17,104	55,510	24,117	-	4,114,385	-	-	2,941
-	17,023	19,640	18,597	8,967	9,109	-	-	-	-	4,697,668
-	6,973	19,226	424	31,000	11,746	-	4,202	99	23	104,125
128,772	67,255	187,667	88	39,684	20,192	16,752	4,829,785	348,222	86,980	74,290
128,772	91,251	226,533	19,109	79,651	41,047	16,752	4,833,987	348,321	87,003	6,063,480
(128,772)	-	-	(2,005)	(24,141)	(16,930)	(16,752)	(719,602)	(348,321)	(87,003)	6,241,895
128,772	-	-	2,005	24,141	16,930	16,752	-	348,321	87,003	(1,544,227)
-	-	-	-	-	-	-	-	-	-	1,824,178
128,772	-	-	2,005	24,141	16,930	16,752	-	348,321	87,003	447
-	-	-	-	-	-	-	(719,602)	-	-	1,824,625
75,000	467,218	-	369,229	-	-	140,200	819,602	-	-	280,398
\$ 75,000	\$ 467,218	\$ -	\$ 369,229	\$ -	\$ -	\$ 140,200	\$ 100,000	\$ -	\$ -	3,736,772
										\$ 4,017,170

**Salem Area Mass Transit District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Special Transportation Programs on a Non-GAAP Budget Basis**  
**For the Fiscal Year Ended June 30, 2014**

	<u>CherryLift</u>	<u>RED LINE</u>	<u>CARTS</u>	<u>DMAP</u>
<b>Revenues</b>				
Local revenue				
Passenger fares	\$ 187,250	\$ 8,981	\$ 198,344	\$ -
State revenue				
Special transportation fund program (ODOT)	118,392	64,700	382,239	-
Federal revenue				
Oregon health plan - medical assistance programs (DMAP)	-	-	-	7,193,016
Developmental disabilities transportation services (DD53)	3,010,828	-	-	-
Transportation for elderly persons and persons with disabilities (5310)	112,161	120,268	585,949	-
Formula grants for other than urbanized areas (5311)	-	-	176,237	-
Rideshare/TDM grant	-	-	-	-
Urbanized area formula (Section 5307)	<u>426,215</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total federal revenue	<u>3,549,204</u>	<u>120,268</u>	<u>762,186</u>	<u>7,193,016</u>
Total revenues	<u>3,854,846</u>	<u>193,949</u>	<u>1,342,769</u>	<u>7,193,016</u>
<b>Expenditures</b>				
Personal services	283,846	7,404	90,967	187,712
Materials and services				
Other materials and services	4,367,688	177,163	1,175,225	6,273,494
Call center allocation	<u>178,262</u>	<u>9,382</u>	<u>18,764</u>	<u>731,810</u>
Total expenditures	<u>4,829,796</u>	<u>193,949</u>	<u>1,284,956</u>	<u>7,193,016</u>
Excess (deficiency) of revenues over expenditures	(974,950)	-	57,813	-
<b>Other financing sources (uses)</b>				
Transfer from general fund	974,950	-	-	-
Transfer out to other funds	<u>-</u>	<u>-</u>	<u>(447)</u>	<u>-</u>
Total other financing sources (uses)	<u>974,950</u>	<u>-</u>	<u>(447)</u>	<u>-</u>
<b>Net change in fund balance</b>	-	-	57,366	-
<b>Fund balance, beginning of year</b>	<u>640,889</u>	<u>-</u>	<u>398,551</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 640,889</u>	<u>\$ -</u>	<u>\$ 455,917</u>	<u>\$ -</u>

TripLink Call Center	Travel Training	STF Coordination	Rideshare	TDM Grant	Total Special Transportation Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 394,575
-	14,180	94,209	-	-	673,720
-	-	-	-	-	7,193,016
-	-	-	-	-	3,010,828
-	123,888	78,540	-	-	1,020,806
-	-	16,964	-	-	193,201
-	-	-	217,496	68,229	285,725
-	-	-	-	-	426,215
-	123,888	95,504	217,496	68,229	12,129,791
-	138,068	189,713	217,496	68,229	13,198,086
39,530	131,826	92,394	120,930	61,251	1,015,860
898,688	6,242	99,584	96,566	6,978	13,101,628
(938,218)	-	-	-	-	-
-	138,068	191,978	217,496	68,229	14,117,488
-	-	(2,265)	-	-	(919,402)
-	-	-	-	-	974,950
-	-	-	-	-	(447)
-	-	-	-	-	974,503
-	-	(2,265)	-	-	55,101
-	-	2,265	-	-	1,041,705
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,096,806</u>

**Salem Area Mass Transit District  
Schedule of Property Tax Transactions and Outstanding Balances  
For the Fiscal Year Ended June 30, 2014**

---

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>2013-14 Levy</u>	<u>Discount &amp; Adjustments</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2014</u>
2013-14	\$ -	\$ 10,472,555	\$ (302,832)	\$ (9,853,189)	\$ 316,534
2012-13	363,055	-	(13,185)	(182,477)	167,393
2011-12	187,259	-	(5,421)	(83,059)	98,779
2010-11	118,438	-	(622)	(77,660)	40,156
2009-10	43,035	-	1,818	(29,728)	15,125
2008-09	12,913	-	(1,631)	(4,762)	6,520
2007-08	7,275	-	(1,442)	(2,482)	3,351
Prior years	16,794	-	(3,166)	(1,212)	12,416
<b>Totals</b>	<b>\$ 748,769</b>	<b>\$ 10,472,555</b>	<b>\$ (326,481)</b>	<b>\$ (10,234,569)</b>	<b>\$ 660,274</b>

# Statistical Section

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

## Contents

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### Financial Trend Information

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

### Revenue Capacity Information

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its most significant local revenue source, property taxes.

### Demographic and Economic Information

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

### Operating Information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the financial statements for the relevant year.



# Cherriots

SALEM-KEIZER TRANSIT



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## **Financial Trend Information**

**Salem Area Mass Transit District**  
**Summary of Net Position**  
**Last Ten Fiscal Years**

---

	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>ASSETS</b>			
Current and other assets	\$ 10,482,205	\$ 8,895,486	\$ 10,258,141
Capital assets, net	<u>21,714,768</u>	<u>24,147,672</u>	<u>23,614,440</u>
Total assets	<u>\$ 32,196,973</u>	<u>\$ 33,043,158</u>	<u>\$ 33,872,581</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current liabilities	\$ 1,533,204	\$ 2,829,063	\$ 2,659,202
Noncurrent liabilities	<u>810,797</u>	<u>885,767</u>	<u>402,358</u>
Total liabilities	<u>2,344,001</u>	<u>3,714,830</u>	<u>3,061,560</u>
<b>NET POSITION</b>			
Investment in capital assets	21,714,768	24,147,672	23,614,440
Restricted for capital projects and special transportation	2,490,699	-	1,281,412
Unrestricted	<u>5,647,505</u>	<u>5,180,656</u>	<u>5,915,169</u>
Total net position	<u>29,852,972</u>	<u>29,328,328</u>	<u>30,811,021</u>
Total liabilities and net position	<u>\$ 32,196,973</u>	<u>\$ 33,043,158</u>	<u>\$ 33,872,581</u>

2008	2009	2010	2011	2012	2013	2014
\$ 11,263,617	\$ 9,902,524	\$ 15,370,036	\$ 17,728,733	\$ 23,652,119	\$ 24,153,129	\$ 20,148,979
27,949,586	28,131,954	27,433,790	33,014,713	28,156,242	34,371,636	36,855,141
<u>\$ 39,213,203</u>	<u>\$ 38,034,478</u>	<u>\$ 42,803,826</u>	<u>\$ 50,743,446</u>	<u>\$ 51,808,361</u>	<u>\$ 58,524,765</u>	<u>\$ 57,004,120</u>
\$ 3,234,389	\$ 2,822,167	\$ 4,840,891	\$ 5,355,014	\$ 7,938,659	\$ 6,078,400	\$ 4,149,053
2,009,656	746,212	813,866	1,153,604	1,523,030	1,904,030	2,285,030
<u>5,244,045</u>	<u>3,568,379</u>	<u>5,654,757</u>	<u>6,508,618</u>	<u>9,461,689</u>	<u>7,982,430</u>	<u>6,434,083</u>
27,949,586	28,131,954	27,433,790	33,014,713	28,156,242	34,371,636	36,855,141
4,543,842	4,727,824	6,058,918	1,699,364	2,178,935	4,928,337	5,055,907
1,475,730	1,606,321	3,656,361	9,520,751	12,011,495	11,242,362	8,658,989
<u>33,969,158</u>	<u>34,466,099</u>	<u>37,149,069</u>	<u>44,234,828</u>	<u>42,346,672</u>	<u>50,542,335</u>	<u>50,570,037</u>
<u>\$ 39,213,203</u>	<u>\$ 38,034,478</u>	<u>\$ 42,803,826</u>	<u>\$ 50,743,446</u>	<u>\$ 51,808,361</u>	<u>\$ 58,524,765</u>	<u>\$ 57,004,120</u>

**Salem Area Mass Transit District**  
**Schedule of Changes in Net Position**  
**Last Ten Fiscal Years**

	2005	2006	2007	2008
<b>OPERATING REVENUES:</b>				
Passenger fares	\$ 2,186,627	\$ 2,362,414	\$ 2,632,514	\$ 2,762,266
Accessible services and medicaid	-	-	-	-
Other revenue	596,288	603,628	496,318	795,715
Total operating revenues	<u>2,782,915</u>	<u>2,966,042</u>	<u>3,128,832</u>	<u>3,557,981</u>
<b>OPERATING EXPENSES:</b>				
Personnel services	13,272,743	14,126,427	13,586,670	14,524,212
Materials and services	11,592,451	11,686,151	12,083,544	12,769,166
Depreciation	1,601,562	1,504,886	1,644,803	2,512,574
OPEB expense	-	-	-	-
Total operating expenses	<u>26,466,756</u>	<u>27,317,464</u>	<u>27,315,017</u>	<u>29,805,952</u>
Operating loss	(23,683,841)	(24,351,422)	(24,186,185)	(26,247,971)
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Property taxes	7,254,775	7,743,212	8,314,992	8,566,026
State assistance	3,707,786	3,621,502	4,460,309	5,029,477
Federal assistance	9,490,214	9,273,351	8,674,691	9,488,576
Investment income	147,482	152,357	266,571	265,859
(Loss) gain on disposal of capital assets	-	-	-	-
Total non-operating revenues (expenses)	<u>20,600,257</u>	<u>20,790,422</u>	<u>21,716,563</u>	<u>23,349,938</u>
Net income (loss) before contributions	(3,083,584)	(3,561,000)	(2,469,622)	(2,898,033)
<b>EXTRAORDINARY ITEMS</b>				
Loss on capital asset impairment	-	-	-	-
Litigation settlement	-	-	-	-
<b>CAPITAL CONTRIBUTIONS</b>				
Change in net position	(2,416,719)	(524,644)	1,482,693	3,158,137
<b>NET POSITION, BEGINNING</b>	<u>32,269,691</u>	<u>29,852,972</u>	<u>29,328,328</u>	<u>30,811,021</u>
<b>NET POSITION, ENDING</b>	<u>\$ 29,852,972</u>	<u>\$ 29,328,328</u>	<u>\$ 30,811,021</u>	<u>\$ 33,969,158</u>

2009	2010	2011	2012	2013	2014
\$ 3,231,769	\$ 2,095,166	\$ 2,271,146	\$ 2,916,951	\$ 2,793,604	\$ 2,776,575
-	-	1,255,467	2,472,645	3,127,234	3,129,220
622,791	886,411	501,722	594,405	653,937	465,052
<u>3,854,560</u>	<u>2,981,577</u>	<u>4,028,335</u>	<u>5,984,001</u>	<u>6,574,775</u>	<u>6,370,847</u>
14,351,777	15,408,544	15,536,920	15,715,505	16,130,831	17,077,508
15,770,114	15,143,728	13,275,500	14,901,593	16,200,005	18,310,843
2,459,175	2,341,038	2,699,400	3,556,442	2,883,582	3,032,068
406,933	406,933	339,738	369,426	381,000	381,000
<u>32,987,999</u>	<u>33,300,243</u>	<u>31,851,558</u>	<u>34,542,966</u>	<u>35,595,418</u>	<u>38,801,419</u>
(29,133,439)	(30,318,666)	(27,823,223)	(28,558,965)	(29,020,643)	(32,430,572)
9,076,275	9,461,631	9,632,849	9,733,903	9,984,733	10,179,017
6,286,707	7,764,506	7,615,152	7,459,771	5,251,979	5,746,114
9,173,937	13,010,303	10,306,319	11,014,530	12,538,020	11,786,100
111,844	32,217	44,304	58,336	65,672	53,457
-	-	-	(21,817)	14,000	1,859
<u>24,648,763</u>	<u>30,268,657</u>	<u>27,598,624</u>	<u>28,244,723</u>	<u>27,854,404</u>	<u>27,766,547</u>
(4,484,676)	(50,009)	(224,599)	(314,242)	(1,166,239)	(4,664,025)
-	-	-	(4,033,628)	-	-
-	-	-	-	3,842,554	-
<u>4,981,617</u>	<u>2,732,979</u>	<u>7,310,358</u>	<u>2,459,714</u>	<u>5,519,348</u>	<u>4,691,727</u>
496,941	2,682,970	7,085,759	(1,888,156)	8,195,663	27,702
<u>33,969,158</u>	<u>34,466,099</u>	<u>37,149,069</u>	<u>44,234,828</u>	<u>42,346,672</u>	<u>50,542,335</u>
<u>\$ 34,466,099</u>	<u>\$ 37,149,069</u>	<u>\$ 44,234,828</u>	<u>\$ 42,346,672</u>	<u>\$ 50,542,335</u>	<u>\$ 50,570,037</u>

## **Revenue Capacity Information**

# Cherriots

SALEM-KEIZER TRANSIT



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**Salem Area Mass Transit District**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal years**

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Fiscal Year Ended June 30	Real Property			Public Utilities
	Residential	Commercial	Other	
2014	\$ 9,007,573,480	\$ 3,846,172,970	\$ 905,365,652	\$ 368,759,319
2013	8,816,797,730	3,433,678,538	1,279,522,572	369,029,826
2012	8,759,048,203	3,339,150,044	1,343,247,958	379,657,608
2011	8,600,677,419	3,183,653,070	1,312,362,404	442,244,755
2010	8,361,385,216	3,087,730,407	1,289,452,586	427,454,948
2009	8,077,158,768	2,918,957,086	1,277,143,724	339,680,536
2008	7,684,866,692	2,803,893,266	1,216,667,745	344,047,884
2007	7,302,989,213	2,647,888,179	1,144,732,743	305,671,160
2006	6,904,738,831	2,502,620,059	1,124,720,548	305,267,725
2005	6,499,908,300	2,390,898,269	1,111,367,017	345,988,327

Sources:

Marion County and Polk County Assessors.

Notes:

- (1) Estimated actual value of taxable property equals real market value except for tax exempt property which is excluded, and farm use property which is included at its lower taxable value. Real market value and assessed value were required to be equal by state law prior to fiscal year 1998. In May 1997, voters approved ballot Measure 50 which reduced assessed values to 90% of 1995 real market values and limits the annual increase in assessed values to 3%.

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<u>Personal Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Value of Taxable Property</u>
\$ 412,792,970	\$ 14,540,664,391	0.7609	\$ 22,031,259,655
390,105,749	14,289,134,415	0.7609	21,722,497,819
380,494,517	14,201,598,330	0.7609	21,696,127,273
388,944,263	13,927,881,911	0.7609	22,584,754,218
394,774,662	13,560,797,819	0.7609	23,200,234,621
376,216,930	12,989,157,044	0.7609	23,664,102,049
365,161,804	12,414,637,391	0.7609	22,610,541,701
340,400,775	11,741,682,070	0.7609	19,737,098,423
335,286,345	11,172,633,508	0.7609	17,733,108,386
330,659,839	10,678,821,752	0.7609	16,305,386,468

Salem Area Mass Transit District  
Principal Property Taxpayers  
Current Fiscal Year and Nine Years Ago

Taxpayer	2014			2005		
	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Portland General Electric Co	1	\$ 81,437,779	0.57%	1	\$ 92,095,310	0.89%
Northwest Natural Gas Co	2	71,364,500	0.46%	3	73,944,900	0.72%
Lancaster Development Company LLC	3	65,777,140	0.50%	4	45,174,760	0.44%
Metropolitan Life Insurance Co	4	44,077,610	0.31%	5	33,364,250	0.32%
CenturyLink (Formerly Qwest)	5	37,541,500	0.26%	2	83,755,500	0.81%
State Investments LLC	6	35,911,547	0.25%			
Wal-Mart Real Estate Business Tr	8	33,039,530	0.23%	6	24,176,520	0.23%
HD Salem OR Landlord LLC	7	33,396,330	0.23%			
State Accident Insurance Fund	9	30,420,920	0.21%	7	23,388,700	0.23%
GPT Properties TR	10	26,307,830	0.18%			
PPG Industries				8	21,107,414	0.20%
SUMCO				9	19,536,850	0.19%
Price-ASG LLC				10	18,487,510	0.18%
Total for principal taxpayers		<u>459,274,686</u>	3.21%		<u>435,031,714</u>	4.22%
Total taxable assessed value		<u>\$ 14,299,705,415</u>			<u>\$ 10,301,554,517</u>	

Sources:  
Marion County and Polk County Assessors.

**Salem Area Mass Transit District  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

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Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2014	\$ 10,472,555	\$ 9,853,189	94.09%	\$ -	\$ 9,853,189	94.09%
2013	10,233,065	9,570,505	93.53%	182,477	9,752,982	95.31%
2012	10,084,413	9,412,400	93.34%	258,726	9,671,126	95.90%
2011	9,899,957	9,218,258	93.11%	340,013	9,558,271	96.55%
2010	9,648,987	8,976,407	93.03%	364,019	9,340,426	96.80%
2009	9,308,022	8,651,833	92.95%	391,440	9,043,273	97.16%
2008	8,920,000	8,353,566	93.65%	311,062	8,664,628	97.14%
2007	8,464,291	7,999,676	94.51%	257,796	8,257,472	97.56%
2006	7,969,446	7,505,581	94.18%	242,016	7,747,597	97.22%
2005	7,632,688	7,102,392	93.05%	265,155	7,367,547	96.53%

Sources:  
Marion County Assessor and Polk County Treasurer

## **Demographic and Economic Information**

# Cherriots

SALEM-KEIZER TRANSIT



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**Salem Area Mass Transit District  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

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<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate</u>
2014	326,150	\$ 11,484,654	\$ 35,489	6.9%
2013	322,880	11,249,451	35,156	8.5%
2012	319,985	11,249,451	35,156	9.6%
2011	318,150	10,790,917	33,841	10.2%
2010	315,335	10,371,061	32,805	10.8%
2009	318,170	10,453,957	32,876	10.8%
2008	314,865	10,374,739	33,075	9.2%
2007	311,070	9,901,895	31,926	5.5%
2006	306,665	9,458,541	30,924	5.7%
2005	302,135	8,635,434	28,645	6.5%

Personal Income in thousands

(1) This schedule is for the Marion County area and is provided as reference only. The District operates in both Marion and Polk Counties, however more operations occur in Marion than Polk County. Polk County information was not available for all years.

Sources:

Oregon Employment Department - Worksource Oregon  
US Bureau of Labor Statistics, Local Area Unemployment Statistics  
Population Research Center, Portland State University

**Salem Area Mass Transit District  
Salem Metropolitan Area Employers - Largest to Smallest  
Current Year and Nine Years Ago**

<u>Employer</u>	<u>FY 2014</u>		<u>FY 2005</u>	
	<u>Employees</u>	<u>% of Total</u>	<u>Employees</u>	<u>% of Total</u>
Government	40,267	27.43%	40,025	27.68%
Trade, transportation, and utilities	24,533	16.71%	24,250	16.77%
Educational and health services	22,992	15.66%	18,517	12.80%
Leisure and hospitality	13,342	9.09%	11,992	8.29%
Professional and business services	12,375	8.43%	12,392	8.57%
Manufacturing	11,875	8.09%	14,692	10.16%
Construction	7,167	4.88%	7,667	5.30%
Financial activities	7,033	4.79%	7,225	5.01%
Other services	4,983	3.39%	5,067	3.50%
Mining and logging Information	1,242	0.85%	1,275	0.88%
	1,000	0.68%	1,508	1.04%
Total Salem Metropolitan Area Non-Farm Payroll Employment	<u>146,809</u>	<u>100.00%</u>	<u>144,610</u>	<u>100.00%</u>

Source: Oregon Employment Department Salem Area MSA Nonfarm Employment annual reports using only the months that coincide with District's fiscal year.



## **Operating Information**

**Salem Area Mass Transit District**  
**District Employees by Division**  
**Last Ten Fiscal Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Division</b>										
General Administrative										
General Manager	3.0	3.0	2.0	2.0	2.0	3.0	2.0	2.0	2.0	2.0
Finance	8.0	8.0	8.0	8.75	8.3	6.75	7.0	7.0	7.0	6.6
Human Resources	6.0	6.6	6.0	6.0	6.0	5.5	5.5	4.5	4.5	5.0
Information Systems	3.0	3.0	2.0	2.0	2.1	2.1	3.1	4.0	4.0	5.0
Operations										
Administration	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	4.0	3.9
Security	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fixed Route Operations - Non-Bargaining	11.0	10.0	9.0	9.0	9.0	9.0	11.0	11.0	10.0	10.0
Fixed Route Operations - Bargaining	129.0	129.0	104.0	106.5	106.5	96.5	97.5	97.5	96.0	96.0
Vehicle Maintenance - Non-Bargaining	5.0	5.0	5.0	5.0	5.0	6.0	6.0	6.0	4.0	3.7
Vehicle Maintenance - Bargaining	26.0	26.0	22.0	21.0	21.0	19.0	19.0	19.0	20.0	22.6
Facilities Maintenance - Non-Bargaining	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Facilities Maintenance - Bargaining	5.0	5.0	4.0	5.0	6.0	5.0	5.0	5.0	5.0	5.0
Transportation Development										
Transportation Development	5.0	5.0	4.0	4.0	4.0	3.0	7.0	7.0	4.0	4.4
Rideshare Program	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.5	2.0	2.0
Community Relations										
Customer Service	7.5	7.5	6.5	6.5	6.5	5.5	5.5	6.0	6.0	6.0
Marketing	-	-	-	-	-	-	-	-	2.0	2.0
Director	-	-	-	-	-	-	-	-	1.0	1.0
	<u>215.5</u>	<u>215.1</u>	<u>179.5</u>	<u>182.75</u>	<u>183.4</u>	<u>168.35</u>	<u>173.6</u>	<u>174.5</u>	<u>173.5</u>	<u>177.2</u>
Total FTE Per Budget										

**Salem Area Mass Transit District  
Operating Revenue and Cost Measurements  
Last Ten Fiscal Years**

**Fixed Route System**

<b>Fiscal Year</b>	<b>Fare Revenue</b>	<b>Operating Expense</b>	<b>Revenue Margin</b>	<b>Annual Vehicle Miles</b>	<b>Annual Revenue Miles</b>	<b>Unlinked Passenger Trips (UPT)</b>
2005	1,879,173	16,878,744	11.1%	2,821,646	2,617,061	5,412,915
2006	2,044,104	18,013,506	11.3%	2,808,326	2,593,144	5,551,542
2007	2,286,289	17,104,414	13.4%	2,430,139	2,235,947	5,125,357
2008	2,762,266	17,707,826	15.6%	2,329,787	2,150,744	5,047,275
2009	3,231,769	17,349,035	18.6%	2,192,433	2,009,115	4,746,944
2010	2,095,166	17,904,498	11.7%	2,171,446	2,019,554	4,272,534
2011	2,156,084	18,481,242	11.7%	2,131,035	1,990,530	4,203,930
2012	2,487,342	18,582,768	13.4%	2,089,966	1,951,757	3,363,002
2013	2,358,925	19,555,613	12.1%	2,117,115	1,982,591	3,413,873
2014	2,363,360	*	*	2,125,894	2,033,044	3,320,155

**Demand Response**

<b>Fiscal Year</b>	<b>Fare Revenue</b>	<b>Operating Expense</b>	<b>Revenue Margin</b>	<b>Annual Vehicle Miles</b>	<b>Annual Revenue Miles</b>	<b>Unlinked Passenger Trips (UPT)</b>
2005	343,733	3,075,454	11.2%	1,191,963	1,033,835	234,911
2006	360,920	4,426,714	8.2%	1,358,527	1,157,971	293,028
2007 ^	372,961	9,148,118	4.1%	2,410,478	2,110,211	341,171
2008	381,634	9,459,013	4.0%	3,605,490	3,169,918	430,040
2009	316,694	11,567,019	2.7%	4,314,455	3,467,393	440,924
2010	389,909	11,044,498	3.5%	3,998,375	3,485,995	465,112
2011	311,598	12,975,583	2.4%	3,838,149	3,724,201	441,921
2012	248,961	11,527,023	2.2%	4,789,771	4,789,771	429,685
2013	198,154	12,865,869	1.5%	4,530,236	4,182,683	488,466
2014	*	*	*	4,750,911	4,382,166	528,610

**Vanpool**

<b>Fiscal Year</b>	<b>Fare Revenue</b>	<b>Operating Expense</b>	<b>Revenue Margin</b>	<b>Annual Vehicle Miles</b>	<b>Annual Revenue Miles</b>	<b>Unlinked Passenger Trips (UPT)</b>
2005	16,520	20,113	82.1%	37,421	36,320	5,779
2006	17,346	233,704	7.4%	122,877	122,877	22,358
2007	56,877	208,195	27.3%	157,586	157,586	25,163
2008	-	106,615	0.0%	120,258	120,258	23,444
2009	67,246	150,398	44.7%	186,407	186,407	34,466
2010	100,692	190,234	52.9%	223,173	223,173	38,080
2011	103,070	219,087	47.0%	246,546	246,546	42,888
2012	140,800	289,517	48.6%	343,211	343,211	55,830
2013	182,063	376,183	48.4%	399,775	399,775	66,175
2014	*	*	*	*	499,454	79,084

^ In FY 2007 the District began receiving the funds and paying contractors for the services they provided rather than the contractor receiving the funds directly.

\* Information was not available at time of report issuance.

<b>Fixed Route System</b>						
<b>Fiscal Year</b>	<b>Annual Passenger Miles</b>	<b>Annual Vehicle Revenue Hours</b>	<b>Operating Expense per Mile</b>	<b>Operating Expense per Revenue Mile</b>	<b>Operating Expense per UPT</b>	<b>Operating Expense per Passenger Mile</b>
2005	16,238,835	173,660	5.98	6.45	3.12	1.04
2006	16,270,599	171,375	6.41	6.95	3.24	1.11
2007	15,338,365	173,879	7.04	7.65	3.34	1.12
2008	14,968,263	168,745	7.60	8.23	3.51	1.18
2009	15,643,452	159,896	7.91	8.64	3.65	1.11
2010	11,974,068	157,480	8.25	8.87	4.19	1.50
2011	13,620,825	157,335	8.67	9.28	4.40	1.36
2012	10,896,126	154,772	8.89	9.52	5.53	1.71
2013	11,060,948	154,905	9.24	9.86	5.73	1.77
2014	*	156,857	*	*	*	*

<b>Demand Response</b>						
<b>Fiscal Year</b>	<b>Annual Passenger Miles</b>	<b>Annual Vehicle Revenue Hours</b>	<b>Operating Expense per Mile</b>	<b>Operating Expense per Revenue Mile</b>	<b>Operating Expense per UPT</b>	<b>Operating Expense per Passenger Mile</b>
2005	1,033,835	74,000	2.58	2.97	13.09	2.97
2006	1,157,971	85,763	3.26	3.82	15.11	3.82
2007 ^	3,274,771	140,894	3.80	4.34	26.81	2.79
2008	4,008,772	216,539	2.62	2.98	22.00	2.36
2009	5,124,417	215,509	2.68	3.34	26.23	2.26
2010	5,449,726	233,497	2.76	3.17	23.75	2.03
2011	6,202,495	226,002	3.38	3.48	29.36	2.09
2012	8,340,340	232,769	2.41	2.41	26.83	1.38
2013	5,534,320	244,964	2.84	3.08	26.34	2.32
2014	3,626,371	270,933	*	*	*	*

<b>Vanpool</b>						
<b>Fiscal Year</b>	<b>Annual Passenger Miles</b>	<b>Annual Vehicle Revenue Hours</b>	<b>Operating Expense per Mile</b>	<b>Operating Expense per Revenue Mile</b>	<b>Operating Expense per UPT</b>	<b>Operating Expense per Passenger Mile</b>
2005	282,334	811	0.54	0.55	3.48	0.07
2006	1,113,153	2,913	1.90	1.90	10.45	0.21
2007	1,166,256	3,557	1.32	1.32	8.27	0.18
2008	956,191	3,939	0.89	0.89	4.55	0.11
2009	1,296,409	4,217	0.81	0.81	4.36	0.12
2010	1,457,047	4,974	0.85	0.85	5.00	0.13
2011	1,645,638	5,633	0.89	0.89	5.11	0.13
2012	2,060,457	7,705	0.84	0.84	5.19	0.14
2013	2,611,080	8,704	0.94	0.94	5.68	0.14
2014	*	11,418	*	*	*	*

# Cherriots

SALEM-KEIZER TRANSIT



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## **Disclosures and Comments Required by State Minimum Standards**



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS***

Board of Directors  
Salem Area Mass District  
Salem, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Salem Area Mass Transit District (the District) as of and for the year ended June 30, 2014, and have issued our report thereon dated December 19, 2014.

#### ***Compliance***

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except the District had expenditures in excess of appropriations as detailed in the notes to the financial statements.

#### ***Internal Control Over Financial Reporting***

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

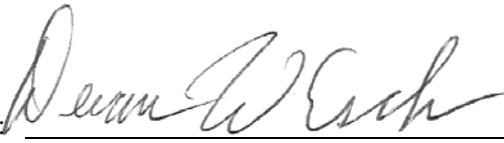
District's internal control.

Deficiencies in internal control were reported to management in a letter dated December 19, 2014.

***Restriction on Use***

This report is intended solely for the information and use of the board of directors and management of the District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*GROVE, MUELLER & SWANK, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS*

By: 

Devan W. Esch, A Shareholder  
December 19, 2014



# **SALEM AREA MASS TRANSIT DISTRICT**

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## **Federal Compliance Report**

For the year ended

**June 30, 2014**

Marion County, Oregon



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

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

Board of Directors  
Salem Area Mass Transit District  
Salem, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Salem Area Mass Transit District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2014.

#### ***Internal Control Over Financial Reporting***

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

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

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

#### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

  
CERTIFIED PUBLIC ACCOUNTANTS

December 19, 2014



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133***

Board of Directors  
Salem Area Mass Transit District  
Salem, Oregon

#### ***Report on Compliance for Each Major Federal Program***

We have audited Salem Area Mass Transit District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

#### ***Report on Internal Control Over Compliance***

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of

compliance, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purposes of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

***Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133***

We have audited the financial statements of the District as of and for the year ended June 30, 2014, and have issued our report thereon dated December 19, 2014 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS

December 19, 2014

**Salem Area Mass Transit District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

<i>Federal Grantor/Pass Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass- Through Grantor/Number</i>	<i>Program/ Award Amount</i>	<i>Expenditures</i>
<i>U S Dept of Transportation</i>				
<i>Federal Transit Cluster</i>				
<i>Direct</i>				
5309B 07/08 PT/Admin Expansion	20.500	OR04-0014	\$ 1,762,440	\$ 4,151
11 5309 Livability Keizer Transit Center	20.500	OR04-0039	2,800,000	91,251
2009 ARRA	20.507	OR96-X005	5,164,353	55,510
13 5307 PM, ADA, Operating	20.507	OR90-X167	5,292,108	702,386
14 5307 PM, ADA, Operating	20.507	OR90-X173	5,847,526	2,137,813
STP Bus Stops, Shelters	20.507	OR95-X015	695,380	17,104
13/14 5339	20.526	OR34-0002	1,293,379	611,444
<i>Total Federal Transit Cluster</i>				3,619,659
<i>Transit Services Programs Cluster</i>				
<i>Direct</i>				
13/14 5310	20.513	OR16-X040	449,845	134,394
JARC	20.516	OR37-X003	1,294,397	28,793
JARC 06/07/08/09/10/11/12	20.516	OR37-X011	1,717,594	118,107
<i>Passed through Oregon Department of Transportation</i>				
CherryLift Vehicles	20.513	27712	475,569	128,915
Call Center Phone System	20.513	27712	24,117	24,117
CARTS Preventative Maintenance	20.513	27712	761,587	71,391
STF Coordination	20.513	27713	466,139	43,098
5310 Mobility Equip	20.513	28548	25,124	21,766
Cherry lift	20.513	29307	759,448	112,161
STF Coordination	20.513	29307	-	7,898
West Valley Hospital	20.513	29307	8,698	2,058
CARTS Preventative Maintenance	20.513	29307	310,134	85,433
Mobility Management	20.513	29307	314,320	123,888
CARTS	20.513	29307	844,970	422,627
<i>Total Transit Services Programs Cluster</i>				1,324,646
<i>Passed through Oregon Department of Transportation</i>				
CARTS Rural FY14	20.509	29264	331,050	193,201
RTAP - OTA Conference	20.509	N/A	N/A	1,320
<i>Highway Planning and Construction Cluster</i>				
<i>Direct</i>				
South Salem Transit Center	20.205	OR15-X001	750,000	226,533
<i>Passed through Oregon Department of Transportation</i>				
Rideshare	20.205	28619	331,653	10,079
Rideshare	20.205	29576	370,292	207,417
TDM	20.205	29576	191,834	68,229
<i>Passed through Mid-Willamette Valley Council of Governments</i>				
Transportation Planning 13/14	20.205	29398	133,726	133,726
<i>Total Highway Planning and Construction Cluster</i>				645,984
<b>Total Federal Awards</b>				<b>\$ 5,784,810</b>

**Salem Area Mass Transit District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

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*Purpose of the Schedule*

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the District's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of activities of the district, it is not intended to and does not present either the financial position or the results of operations of the district.

*Significant Accounting Policies*

*Basis of Presentation*

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

*Federal Financial Assistance*

Pursuant to the Single Audit Act Amendment of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

*Major Programs*

The Single Audit Act Amendment of 1996 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the District are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

*Reporting Entity*

The reporting entity is fully described in the notes to the financial statements. Additionally, the Schedule includes all federal programs administered by the District for the year ended June 30, 2014.

*Revenue and Expenditure Recognition*

The revenue and expenditures of federal awards are accounted for under the modified accrual basis of accounting.

**Salem Area Mass Transit District  
 Schedule of Audit Findings and Questioned Costs  
 Year Ended June 30, 2014**

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***SUMMARY OF AUDITOR'S RESULTS***

***Financial Statements***

Type of auditor's report issues:	Unmodified
Internal control reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
• Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major program:

<u><i>CFDA Numbers</i></u>	<u><i>Name of Federal Program or Cluster</i></u>
20.500, 20.507, 20.526	U.S. Department of Transportation Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

***FINANCIAL STATEMENT FINDINGS***

None

***FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***

None



**Salem Area Mass Transit District  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2014**

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***PRIOR YEAR FINANCIAL STATEMENT FINDINGS***

**Finding 2013-001 - Preparation of the Schedule of Expenditures of Federal Awards (Significant Deficiency)**

*Condition:* The District did not accurately record grant related revenues for multiple federal grants as part of its preparation of the Schedule of Expenditures of Federal Awards (SEFA) for the 12/13 fiscal year. Therefore, the SEFA provided to the auditors contained errors. The errors listed below would have caused the SEFA to be misstated:

- FTA Section 5307 funding for 2012 and 2013 was understated by \$318,313 and \$123,769, respectively.
- FTA Section 5310 - STF Administration was understated by \$24,180.
- FTA Section 5310 - Mobility Management and CherryLift was overstated by \$10,521 and \$10,983, respectively.

JARC revenue totaling \$250,656 was included on the SEFA, however was not properly recorded in the District's general ledger.

*Criteria:* OMB Circular A-133 requires that the District develop and maintain procedures and review processes to ensure the accuracy and completeness of the SEFA.

*Cause:* The District personnel responsible for the preparation of the SEFA did not accurately prepare the SEFA based on the receipts and disbursements of the federal funding for fiscal year 12/13. Furthermore, the District did not adequately review the underlying calculations and other supporting documentation to find errors in the initial preparation.

*Effect:* See the *Condition* section above for monetary errors identified. Additionally, the incorrect information could lead to an error in the major program determination and lead to a material misstatement in the financial statements.

*Recommendation:* The District should:

- Strengthen the preparation and review processes to help ensure that we prepare the SEFA correctly and that the SEFA submitted to the independent auditors is complete and accurate
- Maintain adequate supporting documentation for all expenditures reported on the SEFA.

*Views of Responsible Officials and Planned Corrective Action Plan:* Management has reviewed the preparation and review process for the SEFA, has made changes to ensure that the SEFA is complete and accurate prior to being submitted to the independent auditors, and is in the process of training those responsible. Management has also reviewed the documentation process to ensure that all supporting documentation for the SEFA is adequate.

**Salem Area Mass Transit District  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2014**

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*Current Year Update:* The District has implemented the following procedures to address this finding:

1. The grant administrator will prepare the Program/Award Amount, Expenditures and Receipts. The grant administrator will gather reports from both Federal and State systems to obtain amounts received from both agencies. She will match these to reports filed for expenditures. Grant administrator will provide expenditures which require accounts receivable established at fiscal year-end (FYE).
2. The accountant will verify amounts received and record where they are located in the general ledger on the SEFA. Accountant will verify amounts owed at FYE and record accounts receivable/deferred revenue accordingly. Accountant will review all underlying calculations and other supporting documentation to ensure no errors.
3. Finance Manager will review draft SEFA with supporting documentation before it is submitted to the auditors.

The District has complied with the recommendations and there were no similar issues noted in the current year.

***PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***

None