

**SALEM AREA MASS TRANSIT DISTRICT**  
MARION COUNTY, OREGON



**Comprehensive Annual  
Financial Report**  
Fiscal Year Ended June 30, 2012



# **SALEM AREA MASS TRANSIT DISTRICT**

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## **Comprehensive Annual Financial Report**

For the years ended

**June 30, 2012 and 2011**

Marion County, Oregon

Prepared by the Finance Department  
Roy Burling, Director of Finance  
Jared Isaksen, Accountant

**Salem Area Mass Transit District**  
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**For the Years Ended June 30, 2012 and 2011**

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## **Introductory Section**

925 Commercial St SE Suite 100  
Salem OR 97302-4173

503-588-2424 Fax 503-566-3933  
E-mail: [skt@cherriots.org](mailto:skt@cherriots.org)

December 20, 2012

Board of Directors  
Salem Area Mass Transit District  
925 Commercial St SE, Suite 100  
Salem, OR 97302-4173



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, 2012. 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) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," and related Omnibus Statement No. 37. Implementation of these GASB statements has effected how the District's financial information is reported. Major effects include the following:

- A narrative introduction, overview, and analysis to accompany 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.

- The Statement of Net Assets as of June 30, 2012 is stated based on net assets.
- 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, 2012, 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 unqualified opinion that the District's basic financial statements for the fiscal year ended June 30, 2012, 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 also was 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, 2012, indicated neither instances of material weaknesses in the internal control structure nor 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 Board of Directors, elected, one from each of the seven sub-districts, 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

department. 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 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. The District also provides comparable demand-response services for those persons who are unable to use the fixed-route system.

### **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, the state capital, which has a population of 154,637. As of the 2010 census, there were 390,738 people living in the Salem MSA compared with a population of 347,214 in 2000 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 capital 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 Marion and Polk counties in September 2012 was 9.3 percent, 0.7 percentage points lower than the September 2011 rate. During the 2008 recession the Salem MSA experienced a 10 percent loss of jobs and has begun a slow recovery of those jobs in recent months. The current level of job loss, over four years since the beginning of the recession, is now a bit worse than what the region experienced in the early 1980's. The Oregon Office of Economic Analysis forecasts a continued slow economic recovery and although the fundamentals underlying economic growth remain strong, uncertainly continues to weigh on both business and households.

### **Fixed Route Transportation**

Over 10 million passenger miles are traveled annually, with total ridership for fiscal year 2011-12 of 10,896,126 rides. This total ridership represents a decrease of 20 percent from the fiscal year 2010-11. This decrease is due to the loss of the State funded Student Bus Pass Program which provided a free bus pass to students. For fiscal year 2011-12 the operating costs per mile for the fixed route service amounted to \$8.89 compared to a cost of \$8.67 for the fiscal year 2010-11 or a

2.5 percent increase, while the average cost per ride increased from \$4.40 in fiscal year 2010-11 to \$5.53 for fiscal year 2011-12, a 25.7 percent increase. The increase in the cost per ride is mainly due to the decline in youth ridership as a result of the discontinuation of the Student Bus Pass Program.

### **Alternative Transportation**

Ridership in the demand response; para-transit, Cherrylift, non-emergency medical transportation, dial-a-ride, and the shopper shuttle programs decreased during the fiscal year 2011-12. The total rides provided in fiscal year 2011-12 was 429,685 compared to 441,921 rides provided in fiscal year 2010-11. The average cost of providing demand response rides in fiscal year 2011-12 was \$26.83 compared with \$29.36 for fiscal year 2010-11. This decrease in cost per ride is due to the District competitively soliciting bids from service providers and contracting with a new operating company that is providing services at lower rate per ride.

A small portion of the cost of providing these alternative transportation services is covered with fare revenue, 2.2 percent for the fiscal year 2011-12 compared with 2.4 percent for fiscal year 2010-11. Funding from state and federal sources provided 97.8 percent of the fiscal year 2011-12 program operating costs and 97.6 percent of the fiscal year 2010-11 program operating costs. Grants funding reduced the net program costs to the District to \$1.5 million in fiscal year 2011-12.

### **Major Initiatives**

During the fiscal year the District took delivery of 4 new low sulphur diesel buses replacing buses that had reached the end of their useful life. The new buses are more efficient and are expected to generate savings related to fuel and maintenance costs.

The District completed construction of a park and ride located in rural Rickreall, Oregon. This location serves the communities of Dallas, Rickreall, and Monmouth. The Rickreall park and ride facility provides commuters a central location to leave their cars and ride the bus into downtown Salem. From downtown Salem they can connect to multiple routes serving the Salem-Keizer region.

### **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 strengthening our core services. The long-term strategies include improving the experience of public transportation, expanding access to new areas and new customers, and seeking additional funding for responsible growth.

The District believes the general state of the economy has made it necessary for many people to rely on the transit system as their primary means of travel within the valley. With the increases in the population of the District's service area and high fuel prices, it is anticipated that the demand for services will increase over the next few years.

Major capital improvements anticipated in the upcoming fiscal year include, construction of a transit center at Keizer Station, remediation of the Courthouse Square facility and transit mall,

improvement to the stops and shelters within the fixed route system, and to begin the site selection for the South Salem transit center.

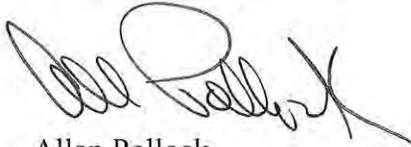
**Long-Term Financial Planning**

While the District has maintained the level of service for the last four 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 in an upcoming election. The local option levy would provide resources to expand services to include Saturdays among other service enhancements.

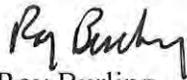
**Acknowledgements**

The timely preparation of the Comprehensive Annual Financial Report 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.

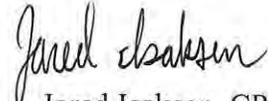
Respectfully submitted,



Allan Pollock  
General Manager

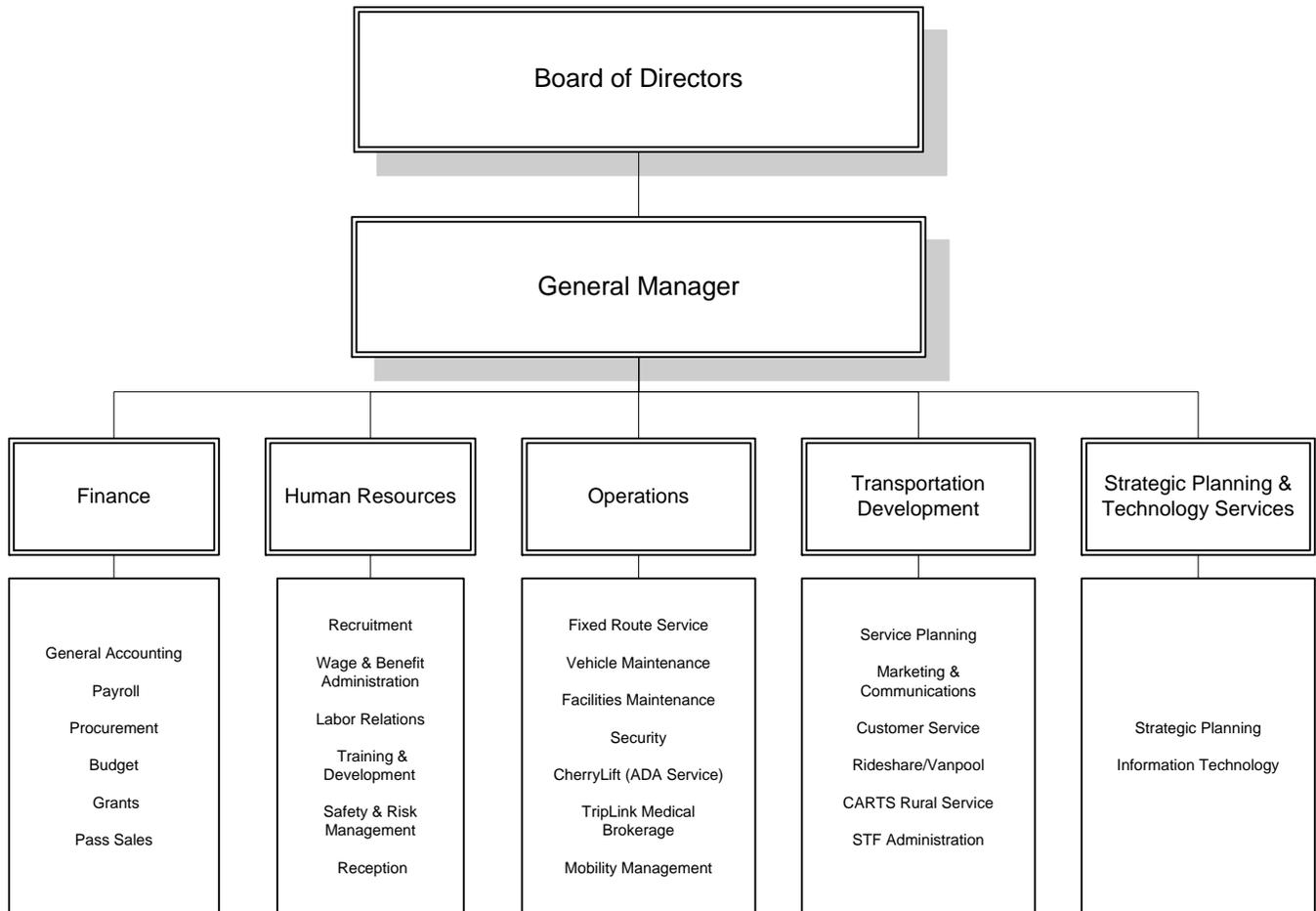


Roy Burling  
Finance Director



Jared Isaksen, CPA  
Accountant

# SALEM AREA MASS TRANSIT DISTRICT DISTRICT-WIDE ORGANIZATIONAL CHART



**Salem Area Mass Transit District  
BOARD OF DIRECTORS**

<u><b>Board</b></u>	<u><b>Subdistrict</b></u>	<u><b>Term Expiration</b></u>
Steve Evans	1 - West Salem	June 30, 2015
Ron Christopher, Treasurer	2 - Keizer	June 30, 2013
Kate Tarter, Vice-President	3 - North Salem	June 30, 2015
Doug Rodger	4 - Northeast Salem	June 30, 2015
Jerry Thompson, President	5 - Southeast Salem	June 30, 2015
Robert Krebs, Secretary	6 - South Salem	June 30, 2013
Marcia Kelley	7 - South Salem	June 30, 2015

**General Manager**  
Allan Pollock

## **Financial Section**

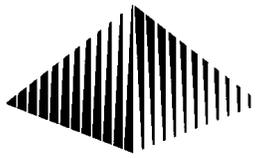
# Cherriots

SALEM-KEIZER TRANSIT



NO CONTENT APPEARS  
ON THIS PAGE BY DESIGN





## 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 District  
Salem, Oregon

We have audited the statement of net assets, statements of revenues, expenses and changes in net assets, and cash flows of Salem Area Mass Transit District (the District) as of and for the years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012 on our consideration of the District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 3 through 5), the budgetary comparison information (pages 3 through 5), and the schedule of funding progress – Oregon Public Employees Retirement System (page 25) 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 the

schedule of funding progress – defined benefit pension plan 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.

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 section as listed in the table of contents, is presented for purposes of additional analysis and is not required a part of the basic financial statements. The supplementary 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 supplementary 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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

By:   
Devan Esch, A Shareholder  
December 20, 2012

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

The management of Salem Area Mass Transit District (SAMTD or the 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 year ended June 30, 2012. 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**

This is the tenth year that the District has presented its financial statements under the new reporting model required by Government Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

The District's financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, 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 increased from \$50.7 million to \$51.8 million due to an increase in cash and receivables.

The District's total liabilities increased by \$2.9 million due mostly to an increase in the payroll payable.

The District's total net assets decreased by \$1.8, due mainly to the impairment of Courthouse Square. The invested in capital assets, net of related debt decreased by approximately \$4.85 million, or 14.7 percent. The restricted net assets increased by \$479,571. The unrestricted net assets increased by \$2.4 million.

Operating revenue increased \$1.9 million from \$4.0 million to \$5.9 million, or 48.6 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, decreased approximately \$4.2 million from the prior year. This decrease is due to a reduction in capital contributions from federal and state grants. Operating expenses increased \$2.6 million from the prior year. The majority of the increase is from the additional Medicaid funded passengers.

The District recognized an extraordinary loss, approximating \$4 million, on impairment of the building and transit mall at Courthouse Square.

The District's major transfers were from the general fund to the capital project fund for \$2.4 million and to the special transportation fund for \$1.6 million.

	<i>June 30,</i>		
	<i>2012</i>	<i>2011</i>	<i>2010</i>
<b><i>Assets</i></b>			
Current and restricted assets	\$ 23,652,119	\$ 17,728,733	\$ 15,370,036
Capital assets, net of depreciation	<u>28,156,242</u>	<u>33,014,713</u>	<u>27,433,790</u>
<i>Total assets</i>	51,808,361	50,743,446	42,803,826
<b><i>Liabilities</i></b>			
	9,461,689	6,508,618	5,654,757
<b><i>Net Assets</i></b>			
Invested in capital assets	28,156,242	33,014,713	27,433,790
Restricted for capital projects and special transportation	2,178,935	1,699,364	6,058,918
Unrestricted	<u>12,011,495</u>	<u>9,520,751</u>	<u>3,656,361</u>
<i>Total net assets</i>	<u>\$ 42,346,672</u>	<u>\$ 44,234,828</u>	<u>\$ 37,149,069</u>

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

Net assets 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>2012</i>	<i>2011</i>	<i>2010</i>
Operating revenues	\$ 5,984,001	\$ 4,028,335	\$ 4,444,642
Non-operating revenues	<u>28,266,540</u>	<u>27,598,624</u>	<u>28,805,592</u>
<i>Total revenue</i>	34,250,541	31,626,959	33,250,234
Operating expenses	(34,542,966)	(31,851,558)	(33,300,243)
Non-operating expenses	<u>(21,817)</u>	<u>-</u>	<u>-</u>
<i>Total expense</i>	(34,564,783)	(31,851,558)	(33,300,243)
Extraordinary loss	(4,033,628)	-	-
Capital contributions	<u>2,459,714</u>	<u>7,310,358</u>	<u>2,732,979</u>
Changes in net assets	(1,888,156)	7,085,759	2,682,970
<b>Beginning net assets</b>	<u>44,234,828</u>	<u>37,149,069</u>	<u>34,466,099</u>
<b>Ending net assets</b>	<u>\$ 42,346,672</u>	<u>\$ 44,234,828</u>	<u>\$ 37,149,069</u>

The District's total revenue increased \$2.6 million, or 8.3 percent, during FY 2012.

### Capital Assets

The District's investment in capital assets at June 30, 2012 amounts to \$28.1 million net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, revenue rolling stock, and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 14.7 percent.

Major capital projects during the current fiscal year included the Rickreall Park and Ride, and the Keizer Transit Center. Construction in progress at the end of the year was approximately \$1.1 million for Keizer Transit Center and \$560,000 for various other projects.

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>Increase/(decrease)</b>	
				<b>2012 - 2011</b>	<b>2011 - 2010</b>
Land	\$ 2,050,691	\$ 2,050,691	\$ 242,394	\$ -	\$ 1,808,297
Construction in progress	1,670,053	1,014,271	663,494	655,782	350,777
Buildings	9,862,314	13,965,316	14,186,228	(4,103,002)	(220,912)
Revenue rolling stock	13,433,329	15,484,413	11,734,008	(2,051,084)	3,750,405
Equipment	1,139,855	500,022	607,666	639,833	(107,644)
	<u>\$ 28,156,242</u>	<u>\$ 33,014,713</u>	<u>\$ 27,433,790</u>	<u>\$ (4,858,471)</u>	<u>\$ 5,580,923</u>

Additional information on the District's capital assets can be found in note 5 on pages 17 – 18 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  
 925 Commercial St., SE Suite 100  
 Salem, Oregon 97302-4173

# **Basic Financial Statements**

**Salem Area Mass Transit District**  
**Statement of Net Assets**  
**June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 7,582,098	\$ 4,711,004
Accounts receivable	249,323	551,665
Property taxes receivable	775,472	797,138
Prepaid expenses	315,488	297,625
Inventories	755,254	741,010
Restricted cash and cash equivalents	4,001,067	1,182,948
Federal grants receivable	6,235,002	6,412,754
State grants receivable	<u>3,738,415</u>	<u>3,034,589</u>
Total current assets	<u>23,652,119</u>	<u>17,728,733</u>
Capital Assets		
Land	2,050,691	2,050,691
Buildings and improvements (net of depreciation)	9,862,314	13,965,316
Buses and equipment (net of depreciation)	14,573,184	15,984,435
Construction in progress	<u>1,670,053</u>	<u>1,014,271</u>
Total capital assets	<u>28,156,242</u>	<u>33,014,713</u>
Total assets	<u>\$ 51,808,361</u>	<u>\$ 50,743,446</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 533,085	\$ 436,980
Accounts payable from restricted assets	2,148,731	1,392,660
Payroll, withholdings and payroll taxes	3,941,359	2,045,835
Due to other governments from restricted assets	20,466	-
Accrued vacation and sick leave	1,055,018	1,015,471
Unearned revenue	<u>240,000</u>	<u>464,068</u>
Total current liabilities	<u>7,938,659</u>	<u>5,355,014</u>
Noncurrent liabilities		
Net OPEB obligation	<u>1,523,030</u>	<u>1,153,604</u>
Total liabilities	<u>9,461,689</u>	<u>6,508,618</u>
<b>Net assets</b>		
Investment in capital assets	28,156,242	33,014,713
Restricted for capital projects and special transportation	2,178,935	1,699,364
Unrestricted	<u>12,011,495</u>	<u>9,520,751</u>
Total net assets	<u>42,346,672</u>	<u>44,234,828</u>
Total liabilities and net assets	<u>\$ 51,808,361</u>	<u>\$ 50,743,446</u>

**Salem Area Mass Transit District**  
**Statements of Revenues, Expenses and Changes In Net Assets**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating revenues</b>		
Passenger fares	\$ 2,916,951	\$ 2,271,146
Accessible services and Medicaid	2,472,645	1,255,467
Other revenues	<u>594,405</u>	<u>501,722</u>
Total operating revenues	<u>5,984,001</u>	<u>4,028,335</u>
<b>Operating expenses</b>		
Personal services	15,715,505	15,536,920
Materials and services	11,520,321	10,843,511
Accessible services and special transportation	3,381,272	2,431,989
Depreciation	3,556,442	2,699,400
OPEB Expense	<u>369,426</u>	<u>339,738</u>
Total operating expenses	<u>34,542,966</u>	<u>31,851,558</u>
<b>Operating loss</b>	(28,558,965)	(27,823,223)
<b>Non-operating revenues (expenses)</b>		
Property taxes	9,733,903	9,632,849
State assistance	7,459,771	7,615,152
Federal assistance	11,014,530	10,306,319
Earnings on investments	58,336	44,304
(Loss) gain on disposal of capital assets	<u>(21,817)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>28,244,723</u>	<u>27,598,624</u>
Excess or deficiency before capital contributions	(314,242)	(224,599)
<b>Extraordinary item</b>		
Loss on capital asset impairment	(4,033,628)	-
<b>Capital contributions</b>		
Federal and state grants for capital acquisition	<u>2,459,714</u>	<u>7,310,358</u>
Changes in net assets	(1,888,156)	7,085,759
<b>Total net assets - beginning of period</b>	<u>44,234,828</u>	<u>37,149,069</u>
<b>Total net assets - end of period</b>	<u>\$ 42,346,672</u>	<u>\$ 44,234,828</u>

**Salem Area Mass Transit District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 6,062,275	\$ 5,912,911
Payments to employees for services	(13,780,434)	(15,470,685)
Cash paid to suppliers for good and services	<u>(14,081,524)</u>	<u>(13,186,041)</u>
Net cash used for operating activities	<u>(21,799,683)</u>	<u>(22,743,815)</u>
<b>Cash flows from noncapital financing activities</b>		
Receipts from property taxes	9,755,569	9,554,950
Receipts from state assistance	6,003,787	7,546,013
Receipts from federal assistance	<u>11,546,957</u>	<u>8,771,924</u>
Net cash provided by noncapital financing activities	<u>27,306,313</u>	<u>25,872,887</u>
<b>Cash flows from capital and related financing activities</b>		
Receipts from capital grants	2,877,663	6,643,021
Acquisition and construction of capital assets	<u>(2,753,416)</u>	<u>(8,645,651)</u>
Net cash used for capital and related financing activities	<u>124,247</u>	<u>(2,002,630)</u>
<b>Cash flows from investing activities</b>		
Interest received	<u>58,336</u>	<u>44,304</u>
<b>Net change in cash and cash equivalents</b>	5,689,213	1,170,746
<b>Cash and cash equivalents, July 1</b>	<u>5,893,952</u>	<u>4,723,206</u>
<b>Cash and cash equivalents, June 30</b>	<u>\$ 11,583,165</u>	<u>\$ 5,893,952</u>
<b>Reconciliation of operating loss to net cash used for operating activities</b>		
Operating loss	\$ (28,558,965)	\$ (27,823,223)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	3,556,442	2,699,400
OPEB Expense	369,426	339,738
(Increase) decrease in accounts receivable	302,342	1,648,236
(Increase) decrease in prepaid expenses	(17,863)	(117,985)
(Increase) decrease in inventories	(14,244)	(4,104)
Increase (decrease) in accounts payable	96,105	(63,062)
Increase (decrease) in accounts payable from restricted assets	756,071	274,610
Increase (decrease) in payroll, withholdings and payroll taxes	1,895,524	88,696
Increase (decrease) in accrued vacation and sick leave	39,547	(22,461)
Increase (decrease) in unearned revenue	<u>(224,068)</u>	<u>236,340</u>
Net cash used for operating activities	<u>\$ (21,799,683)</u>	<u>\$ (22,743,815)</u>

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2012 and 2011**

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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.

The District is reported as a single proprietary fund. Proprietary funds are 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.

The District, under the guidance of Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2012 and 2011**

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those pronouncements conflict with or contradict GASB pronouncements. Accordingly, the accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to reporting proprietary activity.

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

The accounts of the District are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating governmental functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equities, revenues, and expenditures (expenses).

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.

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 balance sheet.

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**

Oregon Revised Statute 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

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2012 and 2011**

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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.

**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 assets.

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 – 40
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.

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2012 and 2011**

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**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 balance sheet 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 assets and an expense as accrued.

**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 Assets**

Net assets comprise the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three categories.

Invested in capital assets, net of related debt—consists of all capital assets, net of accumulated depreciation and reduce by outstanding debt that is attributable to the acquisition, construction and improvement of those assets.

Restricted — consists of external constraints placed on net asset 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 assets that are not included in the other categories previously mentioned.

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

For budgeting purposes, the District consists of a general fund, capital improvements fund, special transportation fund, and facility maintenance fund. This is in conformity with Oregon Budget Law. Budgetary basis revenues and expenditures are recognized on the

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2012 and 2011**

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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 Transportation 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.

*Facility Maintenance Fund*

This fund was established to accumulate resources for significant facility improvements. The fund's principal revenue source is 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. Two amendments totaling approximately \$2.5 million were made to the budget during the year ended June 30, 2012.

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2012 and 2011**

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The following funds had over-expenditures in the indicated categories:

Capital Projects Fund – Personal Services	\$100,967
Capital Projects Fund – Materials and Services	4,867
Special Transportation Fund – Materials and Services	34,598

**(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, 2012 and 2011 the carrying value of cash and investments and fair value are approximately equal. At June 30, 2012 and 2011, cash and investments included in cash and cash equivalents consisted of:

	2012	2011
<i><b>Cash</b></i>		
Cash on hand	\$ 13,458	\$ 2,436
Deposits with financial institutions	675,410	621,865
<i><b>Investments</b></i>		
Local government investment pool	10,894,297	5,269,651
<i>Total cash and investments</i>	\$ 11,583,165	\$ 5,893,952
Unrestricted cash and investments	\$ 7,582,098	\$ 4,711,004
Restricted cash and investments	4,001,067	1,182,948
<i>Total cash and investments</i>	\$ 11,583,165	\$ 5,893,952

**A. Deposits**

At year end, the book balance of the District’s bank deposits (checking accounts) was \$657,717 and \$17,693 and the bank balance was \$870,825 and \$25,128 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. The Federal Depository Insurance Corporation (FDIC) provides insurance for the District’s deposits with financial institutions up to \$250,000 for the combined total of all savings deposits and unlimited coverage for non-interest bearing transaction accounts. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2012, 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, 2012 and 2011**

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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, 2012 and 2011, 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 weighted average maturity of its investments, specifically by maintaining funds in the LGIP.

**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, 2012 and 2011**

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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>2012</b>			
<i><b>Restricted for operating capital</b></i>			
Cash and investments	\$ 2,071,807	\$ (332,773)	\$ 1,739,034
Federal grants receivable	297,413	-	297,413
<i>Total restricted for operating capital</i>	<u>2,369,220</u>	<u>(332,773)</u>	<u>2,036,447</u>
<i><b>Restricted for special transportation</b></i>			
Cash and investments	1,929,260	(1,836,424)	92,836
State grants receivable	49,652	-	49,652
<i>Total restricted for special transportation</i>	<u>1,978,912</u>	<u>(1,836,424)</u>	<u>142,488</u>
	<u>\$ 4,348,132</u>	<u>\$ (2,169,197)</u>	<u>\$ 2,178,935</u>
<b>2011</b>			
<i><b>Restricted for operating capital</b></i>			
Cash and investments	\$ (505,937)	\$ (141,296)	\$ (647,233)
Federal grants receivable	24,553	-	24,553
State grants receivable	1,280,414	-	1,280,414
<i>Total restricted for operating capital</i>	<u>799,030</u>	<u>(141,296)</u>	<u>657,734</u>
<i><b>Restricted for special transportation</b></i>			
Cash and investments	1,688,884	(1,251,364)	437,520
State grants receivable	604,110	-	604,110
<i>Total restricted for special transportation</i>	<u>2,292,994</u>	<u>(1,251,364)</u>	<u>1,041,630</u>
	<u>\$ 3,092,024</u>	<u>\$ (1,392,660)</u>	<u>\$ 1,699,364</u>

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2012 and 2011**

**(5) Capital Assets**

The changes in Capital Assets for the year ended June 30, 2012 are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Impairment/ Adjustments</u>	<u>Ending Balance</u>
<b>Capital assets, non-depreciable:</b>					
Land	\$ 2,050,691	\$ -	\$ -	\$ -	\$ 2,050,691
Construction in progress	1,014,271	662,850	-	(7,068)	1,670,053
Total capital assets, non-depreciable	<u>3,064,962</u>	<u>662,850</u>	<u>-</u>	<u>(7,068)</u>	<u>3,720,744</u>
<b>Capital assets, depreciable:</b>					
Buildings	19,209,544	299,405	(70,148)	(4,988,971)	14,449,830
Revenue rolling stock	28,021,403	1,569,823	(919,850)	(178,148)	28,493,228
Equipment	3,969,159	221,338	-	733,262	4,923,759
Total capital assets, depreciable	<u>51,200,106</u>	<u>2,090,566</u>	<u>(989,998)</u>	<u>(4,433,857)</u>	<u>47,866,817</u>
<b>Less accumulated depreciation:</b>					
Buildings	(5,244,228)	(362,000)	70,148	948,564	(4,587,516)
Revenue rolling stock	(12,536,990)	(2,901,777)	898,033	(519,165)	(15,059,899)
Equipment	(3,469,137)	(292,665)	-	(22,102)	(3,783,904)
Total accumulated depreciation	<u>(21,250,355)</u>	<u>(3,556,442)</u>	<u>968,181</u>	<u>407,297</u>	<u>(23,431,319)</u>
Net depreciable capital assets	<u>29,949,751</u>	<u>(1,465,876)</u>	<u>(21,817)</u>	<u>(4,026,560)</u>	<u>24,435,498</u>
<b>Net capital assets</b>	<u>\$ 33,014,713</u>	<u>\$ (803,026)</u>	<u>\$ (21,817)</u>	<u>\$ (4,033,628)</u>	<u>\$ 28,156,242</u>

The changes in Capital Assets for the year ended June 30, 2011 are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Capital assets, non-depreciable:</b>				
Land	\$ 242,394	\$ 1,808,297	\$ -	\$ 2,050,691
Construction in progress	663,494	350,777	-	1,014,271
Total capital assets, non-depreciable	<u>905,888</u>	<u>2,159,074</u>	<u>-</u>	<u>3,064,962</u>
<b>Capital assets, depreciable:</b>				
Buildings	18,980,873	228,671	-	19,209,544
Revenue rolling stock	22,306,216	5,718,187	(3,000)	28,021,403
Equipment	3,829,507	174,391	(34,739)	3,969,159
Total capital assets, depreciable	<u>45,116,596</u>	<u>6,121,249</u>	<u>(37,739)</u>	<u>51,200,106</u>
<b>Less accumulated depreciation:</b>				
Buildings	(4,794,645)	(449,583)	-	(5,244,228)
Revenue rolling stock	(10,572,208)	(1,967,782)	3,000	(12,536,990)
Equipment	(3,221,841)	(282,035)	34,739	(3,469,137)
Total accumulated depreciation	<u>(18,588,694)</u>	<u>(2,699,400)</u>	<u>37,739</u>	<u>(21,250,355)</u>
Net depreciable capital assets	<u>26,527,902</u>	<u>3,421,849</u>	<u>-</u>	<u>29,949,751</u>
<b>Net capital assets</b>	<u>\$ 27,433,790</u>	<u>\$ 5,580,923</u>	<u>\$ -</u>	<u>\$ 33,014,713</u>

**Salem Area Mass Transit District  
Notes To The Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011**

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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 equipment, a prorated share of proceeds, 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. During fiscal year 2012 no contributions were made. The amounts accrued and expensed were \$1,172,427 and \$1,352,215 for the bargaining unit and \$391,913 and \$545,000 for the non-bargaining unit for the years ended June 30, 2011 and 2012, respectively. In October 2012 the contributions for fiscal year 2011 were made and in December 2012 the contributions for fiscal year 2012 were made. The contributions for the various years equaled the pension cost for the plan.

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 participants 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

**Salem Area Mass Transit District  
Notes To The Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011**

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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 on an open basis over a period of 12 years.

**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 an 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 2012, 2011, and 2010 were:

	<i><u>Covered Payroll</u></i>	<i><u>Total Payroll</u></i>	<i><u>Required Contributions</u></i>
2012	\$ 3,515,915	\$ 9,610,951	\$ 351,592
2011	3,306,431	9,432,381	330,643
2010	3,219,383	9,620,539	321,939

**(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-Medicaid 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.

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2012 and 2011**

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The District's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (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 claims 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 pre-fund future benefits as determined by the actuary. The District has elected to not pre-fund the actuarially determined future cost.

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

The District's annual other post-employment benefit (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. The following table shows the components of the District's annual OPEB cost for the fiscal year ending June 30, 2012, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 572,743	\$ 657,640	\$ 598,005
Interest earned on net OPEB obligation	40,376	-	-
Adjustment to the annual required contribution	(82,326)	-	-
Annual OPEB cost	<u>530,793</u>	<u>657,640</u>	<u>598,005</u>
Estimated benefit payments	<u>161,367</u>	<u>317,902</u>	<u>191,072</u>
Increase in Net OPEB obligation	369,426	339,738	406,933
Beginning net OPEB obligation	<u>1,153,604</u>	<u>813,866</u>	<u>406,933</u>
Ending net OPEB obligation	<u>\$ 1,523,030</u>	<u>\$ 1,153,604</u>	<u>\$ 813,866</u>

**Salem Area Mass Transit District  
Notes To The Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011**

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The District's percentage of annual OPEB cost contributed to the plan for fiscal years ending June 30, 2012, 2011, and 2010 was 30 percent, 48 percent, and 32 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. 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 2011, 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. 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.

**Salem Area Mass Transit District  
Notes To The Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011**

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**(8) Interfund Transfers**

Interfund transfers for the year ended June 30, 2012 consisted of the following:

<i>Transfers to:</i>	<i>Transfers from:</i>			
	<i>General</i>	<i>Capital Projects</i>	<i>Special Transportation</i>	<i>Total</i>
General	\$ -	\$ -	\$ 2,000	\$ 2,000
Capital Projects	2,468,758	-	-	2,468,758
Special Transportation	1,656,859	-	-	1,656,859
	<u>\$ 4,125,617</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 4,127,617</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, 2012, the District also had commitments of approximately \$170,000, for architectural work related to the Keizer Transit Center.

**Salem Area Mass Transit District  
Notes To The Basic Financial Statements  
For the Years Ended June 30, 2012 and 2011**

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The District has long-term agreements to lease space for storage and various offices. Rent for these facilities for fiscal year ended June 30, 2012 and 2011 was \$223,424 and \$192,021, respectively. Future obligations under these agreements are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 242,155
2014	66,358

**(12) Courthouse Square**

**A. Subsequent Events**

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.

In September 2012 the District and Marion County entered into a contract with Structural Preservations Systems for \$22.9 million for the remediation of Courthouse Square, a multiple use complex that includes a bus mall, passenger waiting area, administrative offices, parking garage, hearing room and retail space. The District and Marion County are joint owners. For safety reasons the bus mall was closed in July 2010 and the building was vacated in September 2010.

The District and Marion County recovered approximately \$1.8 million from claims against the general contractor and architect for the project and \$8.7 million from an insurance settlement in November 2012.

**B. Extraordinary Item**

In spring 2010, the District began examining defects observed in the Courthouse Square office building and transit mall, jointly owned by Marion County and the District. Due to the structural deficiencies uncovered, the transit mall was closed in July 2010 and the building was closed in September 2010, resulting in the relocation of various county and transit operations. For the year ended June 30, 2012, the District recognized a loss on impairment of the building and transit mall of \$4,033,627.

**(13) Vendor Litigation**

A lawsuit was filed against the District by Oregon Housing and Associated Services (OHAS) seeking recovery of \$809,277, alleged to be due under a contract between the District and OHAS. The District has denied the claim and has filed a counter-claim seeking recovery of \$478,148 alleged to be owed to the District from OHAS. In August 2012 the lawsuit was settled in favor of OHAS in the amount of \$225,000.

**Salem Area Mass Transit District**  
**Notes To The Basic Financial Statements**  
**For the Years Ended June 30, 2012 and 2011**

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(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. 61 “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.” This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government. The statement is effective for fiscal years beginning after June 15, 2012.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” The objective of this Statement is to incorporate into GASB’s authoritative literature certain accounting and financial reporting guidance that were issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The statement is effective for fiscal years beginning after December 15, 2011.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The statement is effective for fiscal years beginning after December 15, 2011.

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, 2014.

## **Required Supplementary Information**

**Salem Area Mass Transit District**  
**Defined Benefit Pension Plan Schedule of Funding Progress**  
**For the Year Ended June 30, 2012**

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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%

# Other 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
- Facility Maintenance 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, 2012**

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Local revenue				
Passenger fares, passes & other fixed route services	\$ 2,437,500	\$ 2,437,500	\$ 2,793,142	\$ 355,642
Property taxes	9,757,274	9,757,274	9,757,352	78
Advertising & other promotions	195,000	195,000	235,000	40,000
Earnings on investments	40,000	40,000	57,409	17,409
Miscellaneous	50,000	50,000	39,576	(10,424)
Total local revenue	<u>12,479,774</u>	<u>12,479,774</u>	<u>12,882,479</u>	<u>402,705</u>
State revenue				
Energy tax credits	1,064,268	1,064,268	56,898	(1,007,370)
State in lieu taxes	4,500,000	4,500,000	5,022,965	522,965
Total state revenue	<u>5,564,268</u>	<u>5,564,268</u>	<u>5,079,863</u>	<u>(484,405)</u>
Federal Revenue				
FTA Urbanized Area Formula Program (5307)	4,800,000	4,800,000	4,887,303	87,303
FTA Metropolitan & Statewide Planning (5303)	80,792	80,792	94,499	13,707
FTA Job Access / Reverse Commute Programs (Section 3037)	225,000	225,000	225,000	-
Oregon Health Authority - Medical Assistance Programs (DMAP)	100,000	100,000	635,489	535,489
Rideshare/vanpool	268,563	268,563	255,393	(13,170)
Total federal revenue	<u>5,474,355</u>	<u>5,474,355</u>	<u>6,097,684</u>	<u>623,329</u>
Total Revenues	<u>23,518,397</u>	<u>23,518,397</u>	<u>24,060,026</u>	<u>541,629</u>
<b>Expenditures</b>				
Personal services	18,240,701	18,240,701	14,650,484	3,590,217
Materials and services	4,698,083	4,698,083	4,049,762	648,321
Contingency	750,000	750,000	-	750,000
Total Expenditures	<u>23,688,784</u>	<u>23,688,784</u>	<u>18,700,246</u>	<u>4,988,538</u>
Excess (deficiency) of revenues over expenditures	(170,387)	(170,387)	5,359,780	5,530,167
<b>Other financing sources (uses)</b>				
Transfers in from other funds	2,000	2,000	2,000	-
Transfers to Special Transportation Fund	(2,048,951)	(2,048,951)	(1,656,859)	392,092
Transfers to Capital Fund	(1,927,574)	(2,079,574)	(2,468,758)	(389,184)
Net change in fund balance	(4,144,912)	(4,296,912)	1,236,163	5,533,075
<b>Fund balance, beginning of year</b>	<u>9,815,124</u>	<u>10,338,550</u>	<u>10,338,550</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 5,670,212</u>	<u>\$ 6,041,638</u>	<u>\$ 11,574,713</u>	<u>\$ 5,533,075</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, 2012**

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
State Revenue				
Connect Oregon	\$ 704,209	\$ 704,209	\$ 726,420	\$ 22,211
Miscellaneous income	-	-	2,500	2,500
Total state revenue	<u>704,209</u>	<u>704,209</u>	<u>728,920</u>	<u>24,711</u>
Federal Revenue				
Urbanized Area Formula (Section 5307)	818,991	2,137,380	1,452,359	(685,021)
Transportation for Elderly Persons and Persons with Disabilities (5310)	-	-	49,652	49,652
Discretionary grants - Section (5309)	60,000	60,000	196,572	136,572
American Recovery and Reinvestment Act (ARRA)	-	20,000	52,998	32,998
Total federal revenue	<u>878,991</u>	<u>2,217,380</u>	<u>1,751,581</u>	<u>(465,799)</u>
Total revenues	1,583,200	2,921,589	2,480,501	(441,088)
<b>Expenditures</b>				
Capital Projects Administration				
Personal services	-	-	100,967	(100,967)
Materials and services	-	-	4,867	(4,867)
Capital outlay				
CARTS vehicles and related equipment	155,000	155,000	38,142	116,858
Cherriots vehicles and related equipment	-	1,470,389	1,508,172	(37,783)
Cherrylift vehicles and related equipment	55,774	55,774	55,030	744
Courthouse Square remediation	-	-	689	(689)
Facilities	398,000	418,000	202,942	215,058
Keizer Transit Center	860,000	860,000	614,651	245,349
Rickreall Park and Ride	300,000	300,000	308,066	(8,066)
Shop equipment	129,145	129,145	49,393	79,752
Passenger boarding improvements	300,000	300,000	7,766	292,234
Support vehicles	100,000	100,000	61,791	38,209
Transit centers	60,000	60,000	-	60,000
Total capital outlay*	<u>2,357,919</u>	<u>3,848,308</u>	<u>2,846,642</u>	<u>1,001,666</u>
Total expenditures	<u>2,357,919</u>	<u>3,848,308</u>	<u>2,952,476</u>	<u>895,832</u>
Excess (deficiency) of revenues over expenditures	(774,719)	(926,719)	(471,975)	(1,336,920)
<b>Other financing sources (uses)</b>				
Transfer from General Fund	<u>1,927,574</u>	<u>2,079,574</u>	<u>2,468,758</u>	<u>389,184</u>
Net change In fund balance	1,152,855	1,152,855	1,996,783	843,928
<b>Fund balance, beginning of year</b>	<u>102,675</u>	<u>102,675</u>	<u>206,608</u>	<u>103,933</u>
<b>Fund balance, end of year</b>	<u>\$ 1,255,530</u>	<u>\$ 1,255,530</u>	<u>\$ 2,203,391</u>	<u>\$ 947,861</u>

\*The budget was approved for capital outlay in total.

**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, 2012**

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Local revenue				
Passenger Fares	\$ 355,200	\$ 355,200	\$ 441,138	\$ 85,938
State revenue				
Special Transportation Fund Program (ODOT)	630,369	630,369	652,462	22,093
Special Transportation Fund Discretionary Grant Program	65,437	65,437	64,510	(927)
BETC program tax credit	379,884	379,884	-	(379,884)
Total state revenue	<u>1,075,690</u>	<u>1,075,690</u>	<u>716,972</u>	<u>(358,718)</u>
Federal Revenue				
Oregon Health Plan - Medical Assistance Programs (DMAP)	5,299,250	5,299,250	5,485,463	186,213
Developmental Disabilities Transportation Services (DD53)	1,008,907	1,508,907	2,188,072	679,165
Transportation for Elderly Persons and Persons with Disabilities (5310)	1,259,236	1,259,236	1,054,843	(204,393)
Formula Grants for Other than Urbanized Areas (5311)	303,980	303,980	303,978	(2)
Total federal revenue	<u>7,871,373</u>	<u>8,371,373</u>	<u>9,032,356</u>	<u>660,983</u>
Total Revenues	9,302,263	9,802,263	10,190,466	388,203
<b>Expenditures</b>				
Personal services	1,122,076	1,122,076	964,055	158,021
Materials and services	<u>10,219,138</u>	<u>10,719,138</u>	<u>10,753,736</u>	<u>(34,598)</u>
Total Expenditures	<u>11,341,214</u>	<u>11,841,214</u>	<u>11,717,791</u>	<u>123,423</u>
Excess (deficiency) of revenues over expenditures	(2,038,951)	(2,038,951)	(1,527,325)	264,780
<b>Other financing sources (uses)</b>				
Transfer from General Fund	2,048,951	2,048,951	1,656,859	(392,092)
Transfers to other funds	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,046,951</u>	<u>2,046,951</u>	<u>1,654,859</u>	<u>(392,092)</u>
<b>Net change in fund balance</b>	8,000	8,000	127,534	119,534
<b>Fund balance, beginning of year</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>833,523</u>	<u>843,523</u>
<b>Fund balance, end of year</b>	<u>\$ (2,000)</u>	<u>\$ (2,000)</u>	<u>\$ 961,057</u>	<u>\$ 963,057</u>

**Salem Area Mass Transit District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual on a Non-GAAP Budget Basis - Facility Maintenance Fund**  
**For the Fiscal Year Ended June 30, 2012**

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Local revenue				
Earnings on investments	\$ 3,000	\$ 3,000	\$ 927	\$ (2,073)
<b>Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	3,000	3,000	927	(2,073)
<b>Fund balance, beginning of year</b>	<u>210,000</u>	<u>210,000</u>	<u>197,899</u>	<u>(12,101)</u>
<b>Fund balance, end of year</b>	<u>\$ 213,000</u>	<u>\$ 213,000</u>	<u>\$ 198,826</u>	<u>\$ (14,174)</u>

**Salem Area Mass Transit District**

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

**For the Fiscal Year Ended June 30, 2012**

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Net Change in Fund Balance:

General fund	\$ 1,236,163
Capital improvement fund	1,996,783
Special transportation fund	127,534
Facility maintenance fund	<u>927</u>

Total Change in Fund Balance 3,361,407

GAAP basis adjustments:

Capitalized capital assets	2,753,416
Depreciation expense	(3,556,442)
Gain (loss) on disposal of assets	(21,817)
Asset impairment	(4,033,628)
Property taxes accrual	(21,666)
OPEB liability adjustment	<u>(369,426)</u>

Net assets \$ (1,888,156)

**Salem Area Mass Transit District**  
**Schedule of Property Tax Transactions and Outstanding Balances**  
**For the Fiscal Year Ended June 30, 2012**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>2011-12 Levy</u>	<u>Discount &amp; Adjustments</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2012</u>
2011-12	\$ -	\$ 10,084,413	\$ (296,681)	\$ (9,412,400)	\$ 375,332
2010-11	413,738	-	(30,533)	(181,603)	201,602
2009-10	209,681	-	(24,414)	(61,435)	123,832
2008-09	115,535	-	2,159	(72,250)	45,444
2007-08	34,563	-	424	(24,737)	10,250
2006-07	7,568	-	(417)	(1,908)	5,243
2005-06	4,256	-	(297)	(734)	3,225
Prior years	11,797	-	(751)	(502)	10,544
Totals	<u>\$ 797,138</u>	<u>\$ 10,084,413</u>	<u>\$ (350,510)</u>	<u>\$ (9,755,569)</u>	<u>\$ 775,472</u>

***RECONCILIATION OF REVENUE***

Cash collections by County Treasurer	\$ 9,755,569
Accrual of receivables	
June 30, 2011	(797,138)
June 30, 2012	<u>775,472</u>
<i>Total revenue (GAAP Basis)</i>	<u>\$ 9,733,903</u>

# 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

## Contents

### 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.

### 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.

## **Financial Trend Information**

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>ASSETS</b>					
Current and other assets	\$ 14,497,602	\$ 12,954,626	\$ 10,482,205	\$ 8,895,486	\$ 10,258,141
Capital assets, net	<u>19,645,932</u>	<u>21,703,284</u>	<u>21,714,768</u>	<u>24,147,672</u>	<u>23,614,440</u>
Total assets	<u>\$ 34,143,534</u>	<u>\$ 34,657,910</u>	<u>\$ 32,196,973</u>	<u>\$ 33,043,158</u>	<u>\$ 33,872,581</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES:</b>					
Current liabilities	\$ 1,793,684	\$ 1,545,524	\$ 1,533,204	\$ 2,829,063	\$ 2,659,202
Noncurrent liabilities	<u>684,364</u>	<u>842,695</u>	<u>810,797</u>	<u>885,767</u>	<u>402,358</u>
Total liabilities	<u>2,478,048</u>	<u>2,388,219</u>	<u>2,344,001</u>	<u>3,714,830</u>	<u>3,061,560</u>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	19,645,932	21,703,284	21,714,768	24,147,672	23,614,440
Restricted for capital projects and special transportation	3,447,955	1,968,884	2,490,699	-	1,281,412
Unrestricted	<u>8,571,599</u>	<u>8,597,523</u>	<u>5,647,505</u>	<u>5,180,656</u>	<u>5,915,169</u>
Total net assets	<u>31,665,486</u>	<u>32,269,691</u>	<u>29,852,972</u>	<u>29,328,328</u>	<u>30,811,021</u>
Total liabilities and net assets	<u>\$ 34,143,534</u>	<u>\$ 34,657,910</u>	<u>\$ 32,196,973</u>	<u>\$ 33,043,158</u>	<u>\$ 33,872,581</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>ASSETS</b>					
Current and other assets	\$ 11,263,617	\$ 9,902,524	\$ 15,370,036	\$ 17,728,733	\$ 23,652,119
Capital assets, net	<u>27,949,586</u>	<u>28,131,954</u>	<u>27,433,790</u>	<u>33,014,713</u>	<u>28,156,242</u>
Total assets	<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>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES:</b>					
Current liabilities	\$ 3,234,389	\$ 2,822,167	\$ 4,840,891	\$ 5,355,014	\$ 7,938,659
Noncurrent liabilities	<u>2,009,656</u>	<u>746,212</u>	<u>813,866</u>	<u>1,153,604</u>	<u>1,523,030</u>
Total liabilities	<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>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	27,949,586	28,131,954	27,433,790	33,014,713	28,156,242
Restricted for capital projects and special transportation	4,543,842	4,727,824	6,058,918	1,699,364	2,178,935
Unrestricted	<u>1,475,730</u>	<u>1,606,321</u>	<u>3,656,361</u>	<u>9,520,751</u>	<u>12,011,495</u>
Total net assets	<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>
Total liabilities and net assets	<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>

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

	2003	2004	2005	2006	2007
<b>OPERATING REVENUES:</b>					
Passenger fares	\$ 1,824,705	\$ 1,948,334	\$ 2,186,627	\$ 2,362,414	\$ 2,632,514
<b>OPERATING EXPENSES:</b>					
Personnel services	11,720,279	12,163,922	13,272,743	14,126,427	13,586,670
Materials and services	5,181,349	10,197,550	11,592,451	11,686,151	12,083,544
Depreciation	1,293,735	1,524,355	1,601,562	1,504,886	1,644,803
Total operating expenses	18,195,363	23,885,827	26,466,756	27,317,464	27,315,017
Operating loss	(16,370,658)	(21,937,493)	(24,280,129)	(24,955,050)	(24,682,503)
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Property taxes	6,811,746	7,099,782	7,254,775	7,743,212	8,314,992
State assistance	3,377,488	3,405,494	3,707,786	3,621,502	4,460,309
Federal assistance	4,714,630	8,821,868	9,490,214	9,273,351	8,674,691
Investment income	159,401	93,623	147,482	152,357	266,571
Other revenue	360,153	395,104	596,288	603,628	496,318
Total non-operating revenues (expenses)	15,423,418	19,815,871	21,196,545	21,394,050	22,212,881
Net income (loss) before contributions	(947,240)	(2,121,622)	(3,083,584)	(3,561,000)	(2,469,622)
<b>CAPITAL CONTRIBUTIONS</b>	3,073,408	2,725,827	666,865	3,036,356	3,952,315
Change in net assets	2,126,168	604,205	(2,416,719)	(524,644)	1,482,693
<b>NET ASSETS, BEGINNING</b>	29,539,318	31,665,486	32,269,691	29,852,972	29,328,328
<b>NET ASSETS, ENDING</b>	<u>\$ 31,665,486</u>	<u>\$ 32,269,691</u>	<u>\$ 29,852,972</u>	<u>\$ 29,328,328</u>	<u>\$ 30,811,021</u>
	2008	2009	2010	2011	2012
<b>OPERATING REVENUES:</b>					
Passenger fares	\$ 2,762,266	\$ 3,231,769	\$ 2,095,166	\$ 2,271,146	\$ 2,916,951
Accessible services and medicaid	-	-	-	1,255,467	2,472,645
Total operating revenues	2,762,266	3,231,769	2,095,166	3,526,613	5,389,596
<b>OPERATING EXPENSES:</b>					
Personnel services	14,524,212	14,351,777	15,408,544	15,536,920	15,715,505
Materials and services	12,769,166	15,770,114	15,143,728	13,275,500	14,901,593
Depreciation	2,512,574	2,459,175	2,341,038	2,699,400	3,556,442
OPEB expense	-	406,933	406,933	339,738	369,426
Total operating expenses	29,805,952	32,987,999	33,300,243	31,851,558	34,542,966
Operating loss	(27,043,686)	(29,756,230)	(31,205,077)	(28,324,945)	(29,153,370)
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Property taxes	8,566,026	9,076,275	9,461,631	9,632,849	9,733,903
State assistance	5,029,477	6,286,707	7,764,506	7,615,152	7,459,771
Federal assistance	9,488,576	9,173,937	13,010,303	10,306,319	11,014,530
Investment income	265,859	111,844	32,217	44,304	58,336
Other revenue	795,715	622,791	886,411	501,722	594,405
(Loss) gain on disposal of capital assets	-	-	-	-	(21,817)
Total non-operating revenues (expenses)	24,145,653	25,271,554	31,155,068	28,100,346	28,839,128
Net income (loss) before contributions	(2,898,033)	(4,484,676)	(50,009)	(224,599)	(314,242)
Extraordinary item - loss on capital asset impairment	-	-	-	-	(4,033,628)
Capital contributions	6,056,170	4,981,617	2,732,979	7,310,358	2,459,714
Change in net assets	3,158,137	496,941	2,682,970	7,085,759	(1,888,156)
<b>NET ASSETS, BEGINNING</b>	30,811,021	33,969,158	34,466,099	37,149,069	44,234,828
<b>NET ASSETS, ENDING</b>	<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>

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

Fiscal Year Ended June 30	Real Property			Public Utilities	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value of Taxable Property
	Residential	Commercial	Other					
2012	\$ 8,759,318,203	\$ 3,339,150,044	\$ 1,343,247,958	\$ 379,657,608	\$ 380,494,517	\$ 14,201,868,330	0.7609	\$ 21,696,127,273
2011	8,600,677,419	3,183,653,070	1,312,362,404	442,244,755	388,944,263	13,927,881,911	0.7609	22,584,754,218
2010	8,361,385,216	3,087,730,407	1,289,452,586	427,454,948	394,774,662	13,560,797,819	0.7609	23,200,234,621
2009	8,077,158,768	2,918,957,086	1,277,143,724	339,680,536	376,216,930	12,989,157,044	0.7609	23,664,102,049
2008	7,684,866,692	2,803,893,266	1,216,667,745	344,047,884	365,161,804	12,414,637,391	0.7609	22,610,541,701
2007	7,302,989,213	2,647,888,179	1,144,732,743	305,671,160	340,400,775	11,741,682,070	0.7609	19,737,098,423
2006	6,904,738,831	2,502,620,059	1,124,720,548	305,267,725	335,286,345	11,172,633,508	0.7609	17,733,108,386
2005	6,499,908,300	2,390,898,269	1,111,367,017	345,988,327	330,659,839	10,678,821,752	0.7609	16,305,386,468
2004	6,168,296,832	2,303,087,915	1,171,634,267	311,451,968	332,193,935	10,286,664,917	0.7609	15,315,648,811
2003	5,883,969,692	2,213,237,800	1,156,951,849	341,217,349	332,482,460	9,927,859,150	0.7609	14,820,827,701

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

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

Taxpayer	2012			2003		
	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	\$ 113,770,900	0.80%	2	\$ 184,283,150	1.30%
Northwest Natural Gas Co	2	73,951,800	0.52%	4	87,019,200	0.61%
Qwest Corporation	3	61,193,800	0.43%	3	131,590,214	0.93%
Lancaster Development Company LLC	4	60,195,480	0.42%	7	39,954,840	0.28%
Donahue Schriber Realty Group	5	49,049,190	0.35%			
HD Salem OR Landlord LLC	6	40,422,290	0.28%			
Metropolitan Life Insurance Co	7	39,838,290	0.28%	10	27,408,720	0.19%
Comcast Corporation	8	36,857,300	0.26%			
Wal-Mart Real Estate Business TR	9	31,118,130	0.22%			
State Accident Insurance Fund	10	27,839,500	0.20%			
Mitsubishi Silicon America				1	254,689,970	1.79%
Norpac Food Inc				5	81,242,650	0.57%
Winco Foods Inc				6	66,855,857	0.47%
Boise Cascade Corp				8	33,558,890	0.24%
Craig Realty Group Woodburn LLC				9	27,683,120	0.19%
Total for principal taxpayers		<u>534,236,680</u>	3.76%		<u>934,286,611</u>	6.58%
Total taxable assessed value		<u>\$ 14,201,868,330</u>			<u>\$ 9,927,859,150</u>	

Sources:  
Marion County and Polk County Assessors.

## **Demographic and Economic Information**

**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 (2)</u>
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%
2004	301,702	8,528,650	28,545	7.6%
2003	298,526	8,168,137	27,546	8.0%
2002	294,826	7,731,057	26,338	7.3%

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.

(2) The Unemployment Rate is for the Salem Metropolitan Area - Annual Rate.

Sources:

Oregon Employment Department - Worksource Oregon  
US Department of Commerce, Bureau of Economic Analysis  
SEDCOR Fast Facts

## **Operating Information**

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

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	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Division</b>										
General Administrative										
General Manager	3.0	3.0	3.0	3.0	2.0	2.0	2.0	3.0	2.0	2.0
Finance	9.0	8.0	8.0	8.0	8.0	8.75	8.3	6.75	7.0	7.0
Human Resources	6.0	6.0	6.0	6.6	6.0	6.0	6.0	5.5	5.5	4.5
Information Systems	2.0	2.0	3.0	3.0	2.0	2.0	2.1	2.1	3.1	4.0
Operations										
Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0
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	11.0	11.0	10.0	9.0	9.0	9.0	9.0	11.0	11.0
Fixed Route Operations - Bargaining	125.0	124.0	129.0	129.0	104.0	106.5	106.5	96.5	97.5	97.5
Vehicle Maintenance - Non-Bargaining	-	5.0	5.0	5.0	5.0	5.0	5.0	6.0	6.0	6.0
Vehicle Maintenance - Bargaining	31.0	26.0	26.0	26.0	22.0	21.0	21.0	19.0	19.0	19.0
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	4.0	3.0	5.0	5.0	4.0	5.0	6.0	5.0	5.0	5.0
Transportation Development										
Transportation Development	5.0	5.0	5.0	5.0	4.0	4.0	4.0	3.0	7.0	7.0
Rideshare Program	-	-	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.5
Customer Service	7.5	7.5	7.5	7.5	6.5	6.5	6.5	5.5	5.5	6.0
<b>Total FTE Per Budget</b>	<u>208.5</u>	<u>205.5</u>	<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>

**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>
2003	\$ 1,525,901	\$ 14,488,013	10.5%	2,617,214	2,437,299	5,154,999
2004	1,626,984	15,069,446	10.8%	2,724,262	2,533,272	5,350,584
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

**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>
2003	\$ 56,601	\$ 2,367,700	2.4%	1,057,035	905,565	219,349
2004	166,936	2,945,952	5.7%	1,065,257	900,270	230,779
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

**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>
2003	\$ -	\$ -	0.0%	-	-	-
2004	-	-	0.0%	-	-	-
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

\* Vanpool operations began in 2005

^ 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.

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

**Fixed Route System**

<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>
2003	15,464,997	162,004	\$ 5.54	\$ 5.94	\$ 2.81	\$ 0.94
2004	16,051,752	168,541	5.53	5.95	2.82	0.94
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

**Demand Response**

<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>
2003	856,198	61,769	\$ 2.24	\$ 2.61	\$ 10.79	\$ 2.77
2004	900,270	65,480	2.77	3.27	12.77	3.27
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

**Vanpool\***

<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>
2003	-	-	\$ -	\$ -	\$ -	\$ -
2004	-	-	-	-	-	-
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

## **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 Transit District  
Salem, Oregon

We have audited the basic financial statements of Salem Area Mass Transit District (the District) as of and for the years ended June 30, 2012, and have issued our report thereon dated \*\*\*\*\*, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

#### **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 statements 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).**
- **Accountability for collecting or receiving money by elected officials – no money was collected or received by elected officials.**

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 over expenditures of appropriations as described in the notes to the financial statements.

**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

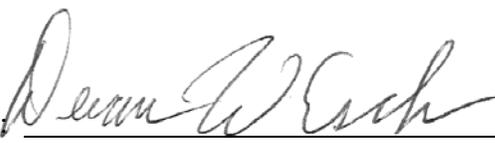
Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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 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. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

We issued our separate letter on other matters dated December 20, 2012.

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 Esch, A Shareholder  
December 20, 2012

# **SALEM AREA MASS TRANSIT DISTRICT**

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## **Federal Compliance Report**

For the year ended

**June 30, 2012**

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

### ***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 the basic financial statements of the Salem Area Mass Transit District, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012. 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.

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

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

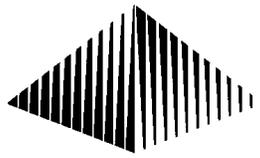
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we communicated to management in a separate letter dated December 20, 2012.

This report is intended solely for the information and use of the District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

December 20, 2012



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

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

### ***INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133***

Board of Directors  
Salem Area Mass Transit District  
Salem, Oregon

#### **Compliance**

We have audited the compliance of the Salem Area Mass Transit District (the District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

#### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

**Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, 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 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 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Salem Area Mass Transit District, federal awarding agencies, pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

December 20, 2012

**Salem Area Mass Transit District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012**

<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	\$ 1,971,440	\$ 196,572
JARC 06/07/08/09/10	20.507	OR37-X011	1,453,110	225,000
Keizer Transit Station	20.500	OR90-X144	249,000	71,549
08/09/10/11 5307 PM,ADA Service,Operating	20.507	OR90-X154	17,655,897	115,476
12 5307 PM, ADA, Operating	20.507	OR90-X165	5,037,309	4,718,996
STP Bus Stops, Shelters	20.507	OR95-X015	855,380	21,564
STP Approx 5 Replacement Buses	20.507	OR95-X018	6,191,138	1,354,913
2009 ARRA	20.500	OR96-X005	5,164,353	52,998
<i>Total Federal Transit Cluster</i>				6,757,068
<i>Transit Services Programs Cluster</i>				
<i>Passed through Oregon Department of Transportation</i>				
CL Vehicles	20.513	26543	1,028,520	49,652
CARTS Preventative Maintenance	20.513	27712	310,134	130,118
STF Admin/Mobility Management	20.513	27713	466,139	221,108
CherryLift/CARTS/W. Valley Connections	20.513	27714	1,037,019	518,034
Shopper Shuttle	20.513	27715	368,180	185,583
<i>Total Transit Services Programs Cluster</i>				1,104,495
<i>Passed through Oregon Department of Transportation</i>				
CARTS Rural	20.509	27416	331,050	303,978
RTAP - OTA Conference	20.509	N/A		1,193
<i>Highway Planning and Construction Cluster</i>				
<i>Passed through Oregon Department of Transportation</i>				
TDM/Rideshare	20.205	27826	-	255,393
<i>Passed through Mid-Willamette Valley Council of Governments</i>				
Transportation Planning 11/12	20.505	325220	99,499	99,499
<b>Total Federal Awards</b>				<b>\$ 8,521,626</b>

See notes to schedule of expenditures of federal awards.

**Salem Area Mass Transit District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

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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, 2012.

*Revenue and Expenditure Recognition*

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

**Salem Area Mass Transit District  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2012**

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

***Financial Statements***

Type of auditor's report issues:	Unqualified
Internal control reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
• Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
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	U.S. Department of Transportation Urban Mass Transportation Capital Improvement Grants
20.507	U.S. Department of Transportation Urban Mass Transportation Capital and Operating Assistance Formula Grants
20.513	U.S. Department of Transportation Capital Assistance Program for Elderly Persons and Persons with Disabilities

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.