



Salem Area Mass Transit District
Marion County, Oregon

**Comprehensive Annual
Financial Report**

Fiscal Years Ended June 30, 2015 and 2014

SALEM AREA MASS TRANSIT DISTRICT

Comprehensive Annual Financial Report

For the years ended

June 30, 2015 and 2014

Marion County, Oregon

Prepared by the Finance Department
Jared Isaksen, Finance Manager
Wendy Feth, Accountant

Salem Area Mass Transit District
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Introductory Section



January 20, 2016

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

It is our pleasure to submit to you the Comprehensive Annual Financial Report of the Salem Area Mass Transit District for the fiscal year ended June 30, 2015. 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. The District has received an extension for this year's report.

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

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

- A narrative introduction, overview, and analysis of the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found following the independent auditor's report on the basic financial statements, beginning on page 5 of this report.
- Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and related notes for the District as a whole on the full accrual basis.
- Schedule of Revenues, 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, 2015, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2015, 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 2.

In addition to meeting the requirements set forth above, the independent audit was also designed to meet the special needs of federal grantor agencies as provided for in the Federal Single Audit Act and the Office of Management and Budget's (OMB) Circular A-133. These standards require the independent government's internal controls to be established and maintained effectively and the District to be in compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. The results of the independent audit for the fiscal year ended June 30, 2015 indicated no significant violations of applicable laws and regulations. The independent auditor's reports, related specifically to the Single Audit and OMB Circular A-133, are contained in a separate report.

District Overview

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

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

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

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

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

Local Economy

The District is located within the Salem Metropolitan Statistical Area (MSA). The Salem MSA, as defined by the United States Census Bureau, is an area consisting of two counties in western Oregon, Marion and Polk. The principal city is Salem, which has a population of 160,614. As of the 2013 census, there were 399,945 people living in the Salem MSA compared with a population of 391,395 in the 2010 census. Marion and Polk Counties are located south of the Portland metropolitan area in the center of the Willamette Valley. The District's boundaries are contiguous with the urban growth boundaries and include the City of Salem and the City of Keizer. The District also provides rural services to Marion and Polk Counties and commuter services to Wilsonville and the Spirit Mountain Casino in Grand Ronde, Oregon.

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

The seasonally adjusted unemployment in the Salem MSA in September 2015 was 6.7 percent, 0.5 percentage points higher than the September 2014 rate but still lower than the September 2013 rate of 8.4 percent. The recovery from the recession has been slow. Salem's economy lost nearly 12,000 jobs during the last recession, 8 percent of total jobs, from 2007 to the trough of the recession in November of 2011. While growth has returned, and is picking up, the median county has regained just half of its recessionary losses. Many of the state's smaller and generally Southern and/or Eastern counties have regained one-third or less of their losses. The Salem area is now growing faster than Portland area according to the Oregon Office of Economic Analysis. The Oregon Office of Economic states that Bend and Salem are currently adding jobs today about as fast as they ever have.

Fixed Route Transportation

Over 11 million passenger miles are traveled annually, with total ridership of 3,371,517 for fiscal year 2015. This total ridership represents an increase of 1.5 percent from the fiscal year 2014. This increase is minor when compared to the 20 percent decrease experienced by the District during the fiscal year 2012. For fiscal year 2015 the operating costs, on a budgetary basis, per revenue mile for the fixed route service amounted to \$10.08 compared to a cost of \$10.16 for fiscal year 2014 or (a 0.8 percent decrease), while the average cost per ride increased from \$6.12 in fiscal year 2014 to \$6.15 for fiscal year 2015 (a 0.5 percent increase). The increase in the cost per ride is minor and within expectations as the same level of service was provided between FY 2014 and 2015.

Alternative Transportation

Ridership in the para-transit, non-emergency medical transportation, dial-a-ride, and shopper shuttle programs increased during fiscal year 2015. The total rides provided in fiscal year 2015 were 581,184 compared to 528,610 rides provided in fiscal year 2014. The average cost of providing demand response

rides in fiscal year 2015 was \$28.86 compared with \$25.94 for fiscal year 2014. This increase in cost per ride is due to an increase in the number of rides provided, especially in rides that are ungrouped during a trip.

A small portion of the cost of providing these alternative transportation services is covered with fare revenue, 2.4 percent for the fiscal year 2015 compared with 2.8 percent for fiscal year 2014. Funding from federal and state sources provided 95.7 percent of fiscal year 2015 program operating costs, and 90.7 percent of fiscal year 2014 program operating costs. Grant funding eliminated the net program costs to the District in fiscal year 2015.

Major Initiatives

The District establishes an annual list of strategic priorities. For fiscal year 2015 highlights of the strategic priorities include the introduction of the West Salem Connector pilot project, Bus Stop Improvement Project, site selection of the South Salem Transit Center.

Future

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

Major capital improvements anticipated in the upcoming fiscal year include the continuation of the Bus Stop Improvement Project, construction of a signalized intersection at the Keizer Transit Center, and preliminary design and engineering for the South Salem transit center.

Long-term Financial Planning

While the District has maintained the current level of service for the last six years there is a great need in the community for weekend service. The District asked voters to approve a local option levy or a payroll tax in November 2015 election but was unsuccessful. The additional funds would have provided resources to expand services to include weekend, evening and holiday service enhancements. The District is now working at the State level to seek out a sustainable funding source for transit operations.

Acknowledgements

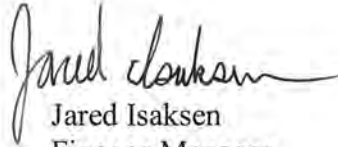
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the third year that the District received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The timely preparation of the CAFR was made possible by the efforts of the entire staff of the Finance Department. The Finance Department appreciates and thanks the staff who assisted and contributed to the report's presentation. They also thank the members of the Board of Directors and the General Manager for their interest and support in managing the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,

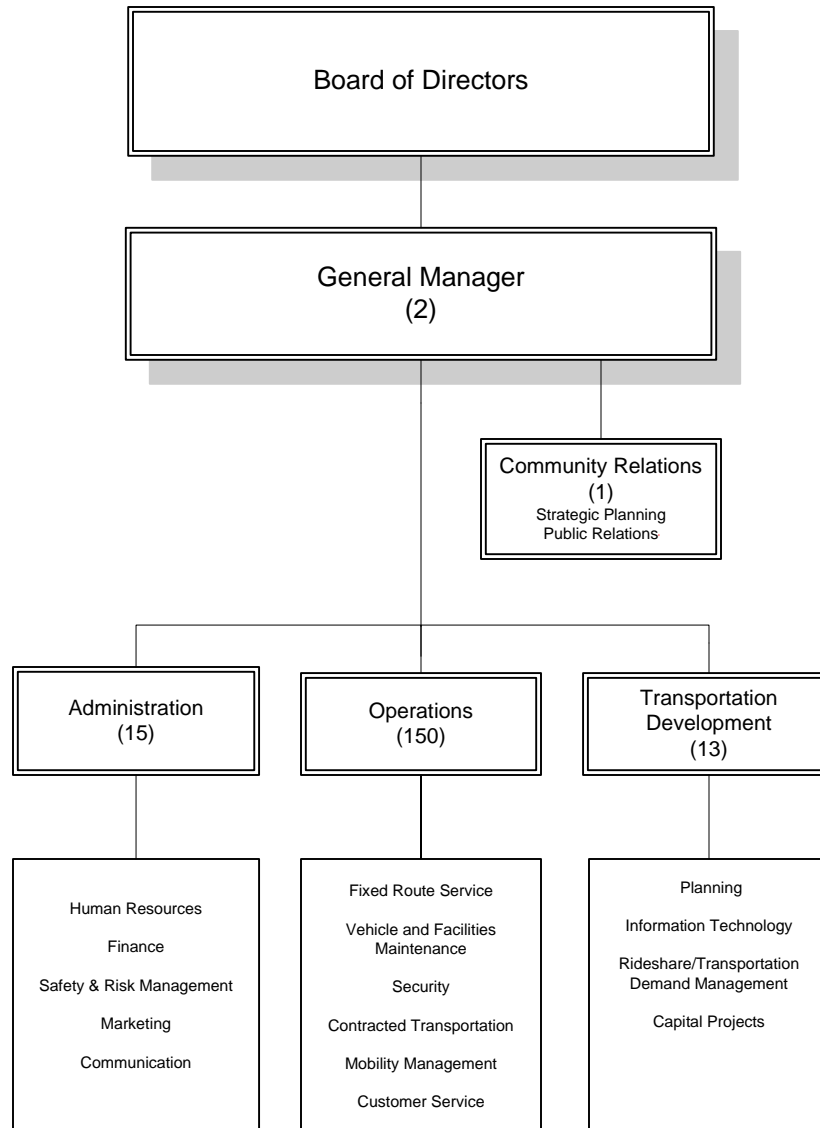


Allan Pollock
General Manager



Jared Isaksen
Finance Manager

SALEM AREA MASS TRANSIT DISTRICT DISTRICT-WIDE ORGANIZATIONAL CHART



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

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

General Manager
Allan Pollock



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Salem Area Mass Transit District
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Financial Section



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Salem Area Mass Transit
Salem, Oregon

Report on the Financial Statements

We have audited the statements of net position, statements of revenue, expenses and changes in net position, and cash flows of Salem Area Mass Transit (the District) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Salem Area Mass Transit District, as of June 30, 2015 and 2014, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in notes to the financial statements, the District adopted the accounting requirements of Governmental Accounting Standards Board Statements No. 68, Accounting and Financial Reporting for Pensions, and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date as of July 1, 2014, which resulted in the restatement of the financial statements for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 5 through 9), schedule of changes in net pension liability and related ratios – non-bargaining (page 43), schedule of employer contributions – defined benefit plan – non-bargaining (pages 44 and 45), schedule of changes in net pension liability and related ratios – bargaining (page 47), schedule of employer contributions – defined benefit plan - bargaining (pages 48 and 49), and schedule of OPEB funding progress (page 50) 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 other schedules described above in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

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

the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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


Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 20, 2016, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By: 
Ryan T. Pasquarella, A Shareholder
January 20, 2016

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

The management of Salem Area Mass Transit District (District) presents this narrative overview and analysis to facilitate both a short-term and long-term analysis of the financial activities of the District for the fiscal years ended June 30, 2015 and 2014. This Management's Discussion and Analysis (MD&A) is based on facts, decisions, and conditions that existed as of the date of the independent auditor's report.

Overview of the Financial Statements

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

Financial Highlights

In fiscal year (FY) 2015, The District adopted GASB Statements No. 68 and 71. These statements established new accounting and reporting rules related to pension plans that, most notably, include presenting the net pension liability and deferred inflows and outflows related to pensions on the statement of net position. There are also a number of changes to the notes to the financial statements and required supplementary information. Implementation of these statements required the restatement of FY 2014 financial statements to maintain comparability between the two years presented in this report.

The District's total assets increased in FY 2015 from \$57 million to \$59.6 million, due to an increase in federal grants receivables and cash balances. The District's total assets decreased in FY 2014 from \$58.5 million to \$57 million, due to a decrease in federal grants receivables.

The District's deferred outflows increased in FY 2015 by approximately \$784,000 due to the adoption of GASB Statements No. 68 and 71. The District did not have any deferred outflows in FY 2014.

The District's total liabilities decreased in FY 2015 by \$.6 million, due mostly to a decrease in the net pension liability and accounts payable from restricted assets. The District's total liabilities, as restated, increased in FY 2014 by \$3.6 million, due to the adoption of new GASB statements recording the net pension liability on the Statement of Net Position.

In FY 2015, the District's deferred inflows decreased by approximately \$170,000 from \$676,000 to \$507,000. These amounts were part of the adoption of new GASB statements.

In FY 2015, the District's total net position increased by \$4.2 million. The investment in capital assets decreased by approximately \$2.0 million, or 5.6 percent mainly due to the yearly depreciation and the unrestricted net position increased by approximately \$5.8 million.

In FY 2014, the District's total net position, as restated, decreased by \$5.7 million. The beginning net position was restated by \$8.9 million as a result of the retroactive implementation of a new

accounting standard, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, under which the net pension liability for each of the District's pension plans is now recorded on the face of the Statement of the Net Position. In FY 2014, the investment in capital assets increased by approximately \$2.5 million, or 7.2 percent, the restricted net position increased by \$127,570, and the unrestricted net position decreased by approximately \$8.4 million. Unrestricted net position was reduced as a result of the adoption of new GASB statements.

In FY 2015, operating revenue increased more than \$1.1 million from \$6.4 million to \$7.5 million, or 18 percent, from the prior year. This increase was due to increased ridership in the Non-Emergent Medical Transportation (DMAP/WVCH) program. Non-operating revenues, including capital contributions, increased approximately \$4 million from the prior year. This increase is due to an increase in non-operating revenues from federal grants and state programs. Operating expenses increased more than \$4.1 million from the prior year. The majority of the increase is from an increase in eligible DMAP/WVCH participants and contracted transportation costs associated with that increase.

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

The District's major transfers were from the general fund to the capital project fund for \$102,000 and \$1.8 million and to the special transportation fund for \$0 and \$975,000 for the fiscal years ended June 30, 2015 and 2014 respectively.

	<i>June 30,</i>		
	<i>2015</i>	<i>2014</i>	<i>2013</i>
Assets		(As Restated)	
Current and restricted assets	\$ 24,911,083	\$ 20,148,979	\$ 24,153,129
Capital assets, net of depreciation	<u>34,772,770</u>	<u>36,855,141</u>	<u>34,371,636</u>
Total assets	59,683,853	57,004,120	58,524,765
Deferred outflows of resources	<u>784,790</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	60,468,643	57,004,120	58,524,765
Liabilities			
Current liabilities	3,488,792	3,717,897	6,078,400
Noncurrent liabilities	<u>7,451,813</u>	<u>7,826,851</u>	<u>1,904,030</u>
Total liabilities	10,940,605	11,544,748	7,982,430
Deferred inflows of resources	<u>506,952</u>	<u>675,936</u>	<u>-</u>
Net position			
Investment in capital assets	34,772,770	36,855,141	34,371,636
Restricted for capital projects	3,707,543	4,017,170	3,952,823
Restricted for special transportation	2,249,540	1,038,737	975,514
Unrestricted	<u>8,291,233</u>	<u>2,872,388</u>	<u>11,242,362</u>
Total net position	49,021,086	44,783,436	50,542,335
Total liabilities, deferred inflows of resources and net position	<u>\$ 60,468,643</u>	<u>\$ 57,004,120</u>	<u>\$ 58,524,765</u>

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

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

	<i>Year Ended June 30,</i>		
	2015	2014	2013
Operating revenues		(As Restated)	
Passenger fares	\$ 2,817,514	\$ 2,776,575	\$ 2,793,604
Accessible services and medicaid	4,305,757	3,129,220	3,127,234
Other revenues	365,058	465,052	653,937
Non-operating revenues			
Property taxes	10,714,350	10,179,017	9,984,733
State assistance	6,350,961	5,746,114	5,251,979
Federal assistance	18,721,493	11,786,100	12,538,020
Other revenues	125,940	55,316	79,672
Total revenue	43,401,073	34,137,394	34,429,179
Operating expenses	(39,808,053)	(35,684,127)	(35,595,418)
Extraordinary gain/(loss)	-	-	3,842,554
Capital contributions	644,630	4,691,727	5,519,348
Changes in net position	4,237,650	3,144,994	8,195,663
Beginning net position	44,783,436	50,542,335	42,346,672
Cumulative effect of restatement	-	(8,903,893)	-
Beginning net position (restated)	-	41,638,442	-
Ending net position	\$ 49,021,086	\$ 44,783,436	\$ 50,542,335

The District's total revenue increased more than \$9.2 million, or 27.1 percent, during FY 2015. The District's total revenue decreased more than \$290,000, or 0.85 percent, during FY 2014.

Capital Assets

The District's investment in capital assets amounts to \$34.7 million and \$36.8 million net of accumulated depreciation as of June 30, 2015 and 2014 respectively. This investment in capital assets includes land, construction in progress, buildings, land improvements, revenue rolling stock, and equipment. The total decrease in the District's investment in capital assets for FY 2015 was 5.7 percent. The total increase in the District's investment in capital assets for FY 2014 was 7.2 percent.

Major capital projects during FY 2015 included the Stops and Shelters project as well as the purchase of CherryLift vehicles. Construction in progress at the end of the year was approximately \$1 million for various projects.

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

	June 30,			Increase/(decrease)	
	2015	2014	2013	2015 - 2014	2014- 2013
Land	\$ 2,050,691	\$ 2,050,691	\$ 2,050,691	\$ -	\$ -
Construction in progress	1,072,188	685,523	4,308,914	386,665	(3,623,391)
Buildings	19,413,087	19,850,285	11,520,160	(437,198)	8,330,125
Land improvements	3,359,769	3,454,594	3,573,889	(94,825)	(119,295)
Revenue rolling stock	7,687,429	9,488,924	11,777,007	(1,801,495)	(2,288,083)
Equipment	1,189,606	1,325,124	1,140,975	(135,518)	184,149
	<u>\$ 34,772,770</u>	<u>\$ 36,855,141</u>	<u>\$ 34,371,636</u>	<u>\$ (2,082,371)</u>	<u>\$ 2,483,505</u>

Additional information on the District’s capital assets can be found in note 5 on pages 25 – 26 of this report.

Request for Information

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

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

Basic Financial Statements



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Salem Area Mass Transit District
Statements of Net Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u> (As restated)
Assets		
Current assets		
Unrestricted cash and cash equivalents	\$ 11,871,819	\$ 7,631,563
Accounts receivable	205,098	236,792
Property taxes receivable	596,631	660,274
Prepaid expenses	196,705	191,859
Inventories	637,755	682,056
Restricted cash and cash equivalents	2,471,124	-
Federal grants receivable	6,402,865	5,559,318
State grants receivable	<u>2,529,086</u>	<u>5,187,117</u>
Total current assets	<u>24,911,083</u>	<u>20,148,979</u>
Capital assets		
Land	2,050,691	2,050,691
Land improvements (net of depreciation)	3,359,769	3,454,594
Buildings and improvements (net of depreciation)	19,413,087	19,850,285
Buses and equipment (net of depreciation)	8,877,035	10,814,048
Construction in progress	<u>1,072,188</u>	<u>685,523</u>
Total capital assets	<u>34,772,770</u>	<u>36,855,141</u>
Total assets	<u>59,683,853</u>	<u>57,004,120</u>
Deferred outflows of resources		
Deferred outflows - Non-bargaining	219,656	-
Deferred outflows - Bargaining	<u>565,134</u>	-
Total deferred outflows of resources	<u>784,790</u>	-
Total assets and deferred outflows of resources	<u><u>\$ 60,468,643</u></u>	<u><u>\$ 57,004,120</u></u>

	2015	2014 (As restated)
Liabilities		
Current liabilities		
Accounts payable	\$ 426,138	\$ 371,691
Accounts payable from restricted assets	1,154,369	1,527,627
Payroll, withholdings and payroll taxes	697,337	619,570
Construction retainage	12,003	12,003
Due to other governments from restricted assets	83,788	32,923
Accrued vacation and sick leave	1,115,157	1,154,083
Total current liabilities	<u>3,488,792</u>	<u>3,717,897</u>
Noncurrent liabilities		
Net pension liability - Non-bargaining	1,233,214	1,589,868
Net pension liability - Bargaining	3,713,820	3,951,953
Net OPEB obligation	2,504,779	2,285,030
Total noncurrent liabilities	<u>7,451,813</u>	<u>7,826,851</u>
Total liabilities	<u>10,940,605</u>	<u>11,544,748</u>
Deferred inflows of resources		
Deferred inflows - Non-bargaining	141,533	188,711
Deferred inflows - Bargaining	365,419	487,225
Total deferred outflows of resources	<u>506,952</u>	<u>675,936</u>
Net position		
Investment in capital assets	34,772,770	36,855,141
Restricted for capital projects	3,707,543	4,017,170
Restricted for special transportation	2,249,540	1,038,737
Unrestricted	8,291,233	2,872,388
Total net position	<u>49,021,086</u>	<u>44,783,436</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 60,468,643</u>	<u>\$ 57,004,120</u>

Salem Area Mass Transit District
Statements of Revenues, Expenses and Changes In Net Position
For the Fiscal Years Ended June 30, 2015 and 2014

	2015	2014 (As restated)
Operating revenues		
Passenger fares	\$ 2,817,514	\$ 2,776,575
Accessible services and medicaid	4,305,757	3,129,220
Other revenues	<u>365,058</u>	<u>465,052</u>
Total operating revenues	<u>7,488,329</u>	<u>6,370,847</u>
Operating expenses		
Personnel services	16,204,737	13,960,216
Materials and services	16,407,550	14,486,383
Accessible services and special transportation	3,886,694	3,824,460
Depreciation	3,089,323	3,032,068
OPEB expense	<u>219,749</u>	<u>381,000</u>
Total operating expenses	<u>39,808,053</u>	<u>35,684,127</u>
Operating loss	(32,319,724)	(29,313,280)
Non-operating revenues		
Property taxes	10,714,350	10,179,017
State assistance	6,350,961	5,746,114
Federal assistance	18,721,493	11,786,100
Earnings on investments	94,776	53,457
Insurance settlement	22,557	-
Gain on disposal of capital assets	<u>8,607</u>	<u>1,859</u>
Total non-operating revenues	<u>35,912,744</u>	<u>27,766,547</u>
Change in net position before extraordinary items and capital contributions	3,593,020	(1,546,733)
Capital contributions		
Federal and state grants for capital acquisition	<u>644,630</u>	<u>4,691,727</u>
Changes in net position	4,237,650	3,144,994
Total net position - beginning of year	<u>44,783,436</u>	<u>41,638,442</u>
Total net position - end of year	<u>\$ 49,021,086</u>	<u>\$ 44,783,436</u>

Salem Area Mass Transit District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2015 and 2014

	2015	2014 (As restated)
Cash flows from operating activities		
Cash received from customers	\$ 7,520,023	\$ 6,379,052
Payments to employees for services	(17,714,457)	(18,549,006)
Cash paid to suppliers for good and services	<u>(20,573,600)</u>	<u>(18,633,663)</u>
Net cash used for operating activities	<u>(30,768,034)</u>	<u>(30,803,617)</u>
Cash flows from noncapital financing activities		
Receipts from property taxes	10,777,993	10,267,512
Receipts from state assistance	12,559,857	5,309,468
Receipts from federal assistance	<u>18,258,181</u>	<u>18,622,262</u>
Net cash provided by noncapital financing activities	<u>41,596,031</u>	<u>34,199,242</u>
Cash flows from capital and related financing activities		
Receipts from capital grants	(3,235,605)	1,669,133
Receipts from litigation/insurance recoveries	22,557	-
Acquisition and construction of capital assets	(1,006,952)	(5,701,789)
Sale of capital assets	<u>8,607</u>	<u>1,859</u>
Net cash provided (used) for capital and related financing activities	<u>(4,211,393)</u>	<u>(4,030,797)</u>
Cash flows from investing activities		
Interest received	<u>94,776</u>	<u>53,457</u>
Net change in cash and cash equivalents	6,711,380	(581,715)
Cash and cash equivalents, July 1	<u>7,631,563</u>	<u>8,213,278</u>
Cash and cash equivalents, June 30	<u>\$ 14,342,943</u>	<u>\$ 7,631,563</u>
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	\$ (32,319,724)	\$ (29,313,280)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	3,089,323	3,032,068
Decrease in net pension liability and related deferrals	(1,548,561)	(2,686,136)
OPEB expense	219,749	381,000
(Increase) decrease in accounts receivable	31,694	8,205
(Increase) decrease in prepaid expenses	(4,846)	19,970
(Increase) decrease in inventories	44,301	(58,113)
Increase (decrease) in accounts payable	54,447	32,123
Increase (decrease) in accounts payable from restricted assets	(373,258)	(316,800)
Increase (decrease) in payroll, withholdings and payroll taxes	77,767	(1,971,266)
Increase (decrease) in accrued vacation and sick leave	<u>(38,926)</u>	<u>68,612</u>
Net cash used for operating activities	<u>\$ (30,768,034)</u>	<u>\$ (30,803,617)</u>
Noncash Investing, Capital, and Financing Activities		
Noncash portion of capital contributions	<u>\$ -</u>	<u>\$ -</u>

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

B. Organization and Operation

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

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

C. Basis of Accounting and Revenue Recognition

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

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

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

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

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

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

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

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

D. Restricted Assets

Restricted assets consist of assets restricted for federal capital grant programs and State of Oregon special transportation programs. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

E. Cash and Investments

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

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

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

F. Inventories

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

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

G. Prepaid Expenses

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

H. Capital Assets

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

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

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

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

I. Vacation and Sick Pay

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

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

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

J. 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.

K. Net Position

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

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

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

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

L. Deferred Inflows and Outflows of Resources

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

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

M. New Pronouncements

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

- GASB Statement No. 66, “Technical Corrections – 2012–An Amendment of GASB Statement 10 and No. 62.” The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The District has determined that this statement has no significant impact on the District's financial statements.

- GASB Statement No. 67, "Financial Reporting of Pension Plans—an Amendment of GASB No. 25." The objective of the statement is to improve financial reporting by state and local governmental pension plans. The statement is effective for reporting periods after June 15, 2013. The District has determined that this statement has no significant impact on the District's financial statements.
- GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." The objective of the statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement is effective for reporting periods beginning after June 15, 2013. The District has determined that this statement has no significant impact on the District's financial statements.

During FY 2015, the District implemented the following GASB pronouncements:

- GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB No. 27." The objective of the statement is to improve accounting and financial reporting by state and local governments for pensions. The statement is effective for reporting periods beginning after June 15, 2014. The District has implemented this standard.
- GASB Statement No. 69, "Government Combinations and Disposals of Government Operations." This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. The District has determined that this statement has no significant impact on the District's financial statements.
- GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB No. 68." The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

(2) Stewardship, Compliance, and Accountability

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

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

of capital expenditures is the principal difference between the budgetary basis and the accrual basis. Capital expenditures on a budgetary basis are recorded as current expenditures.

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

General Fund

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

Capital Improvement Fund

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

Special Transportation Fund

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

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

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

The Board of Directors, by resolution, may amend the budget as originally adopted. One amendment totaling approximately \$1.25 million was made to the budget during the year ended June 30, 2015.

The Special Transportation Fund had over-expenditures for materials and services of \$448,105.

(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, 2015 and 2014 the carrying value of

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

cash and investments and fair value are approximately equal. At June 30, 2015 and 2014, cash and investments included in cash and cash equivalents consisted of:

	<u>2015</u>	<u>2014</u>
<i>Cash</i>		
Cash on hand	\$ 16,676	\$ 32,951
Deposits with financial institutions	591,534	352,680
<i>Investments</i>		
Local government investment pool	<u>13,734,733</u>	<u>7,245,932</u>
<i>Total cash and investments</i>	<u>\$ 14,342,943</u>	<u>\$ 7,631,563</u>
Unrestricted cash and investments	\$ 11,871,819	\$ 8,592,387
Restricted cash and investments	<u>2,471,124</u>	<u>(960,824)</u>
<i>Total cash and investments</i>	<u>\$ 14,342,943</u>	<u>\$ 7,631,563</u>

A. Deposits

As of June 30, 2015 and 2014, the book balance of the District's bank deposits (checking accounts) was \$591,534 and \$352,680 and the bank balance was \$1,230,012 and \$537,698 respectively. The difference is due to transactions in process.

B. Custodial Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned. Effective July 1, 2008, the State of Oregon formed the Oregon Public Funds Collateralization Program under ORS 295. The collateralization program creates a statewide pool of qualified bank depositories for local governments, providing collateralization for bank balances that exceed the limits of federal depository insurance, and eliminating the need for certificates of participation. As of June 30, 2015 and 2014, none of the District's bank balances were exposed to credit risk.

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

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations.

At June 30, 2015 and 2014, the fair value of the District's position in the LGIP was approximately equal to the value of the pool shares. The investment in the Oregon Short-term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

D. Interest Rate Risk - Investments

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

E. Custodial Risk - Investments

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

F. Credit Risk - Investments

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

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(4) Restricted Assets

Restricted assets are restricted for capital outlay and special transportation.

	<i>Total Restricted Assets</i>	<i>Less Current Liabilities Payable</i>	<i>Net Restricted Assets (Liabilities)</i>
2015			
<i>Restricted for capital</i>			
Cash and investments	\$ 2,888,219	\$ (304,882)	\$ 2,583,337
Federal grants receivable	<u>1,124,206</u>	<u>-</u>	<u>1,124,206</u>
<i>Total restricted for operating capital</i>	<u>4,012,425</u>	<u>(304,882)</u>	<u>3,707,543</u>
<i>Restricted for special transportation</i>			
Cash and investments	(417,095)	(990,427)	(1,407,522)
Federal grants receivable	2,545,454	-	2,545,454
State grants receivable	<u>1,111,608</u>	<u>-</u>	<u>1,111,608</u>
<i>Total restricted for special transportation</i>	<u>3,239,967</u>	<u>(990,427)</u>	<u>2,249,540</u>
	<u>\$ 7,252,392</u>	<u>\$ (1,295,309)</u>	<u>\$ 5,957,083</u>
2014			
<i>Restricted for capital</i>			
Cash and investments	\$ (68,753)	\$ (158,048)	\$ (226,801)
Federal grants receivable	743,971	-	743,971
State grants receivable	<u>3,500,000</u>	<u>-</u>	<u>3,500,000</u>
<i>Total restricted for operating capital</i>	<u>4,175,218</u>	<u>(158,048)</u>	<u>4,017,170</u>
<i>Restricted for special transportation</i>			
Cash and investments	(892,071)	(1,476,678)	(2,368,749)
Federal grants receivable	3,015,716	-	3,015,716
State grants receivable	<u>391,770</u>	<u>-</u>	<u>391,770</u>
<i>Total restricted for special transportation</i>	<u>2,515,415</u>	<u>(1,476,678)</u>	<u>1,038,737</u>
	<u>\$ 6,690,663</u>	<u>\$ (1,634,726)</u>	<u>\$ 5,055,907</u>

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

(5) Capital Assets

The changes in capital assets for the year ended June 30, 2015 are summarized below:

	Beginning Balance	Additions	Deletions	Impairment/ Adjustments	Ending Balance
Capital assets, non-depreciable:					
Land	\$ 2,050,691	\$ -	\$ -	\$ -	\$ 2,050,691
Construction in progress	685,523	601,071	-	(214,406)	1,072,188
Total capital assets, non-depreciable	2,736,214	601,071	-	(214,406)	3,122,879
Capital assets, depreciable:					
Buildings	25,248,779	150,554	-	-	25,399,333
Land improvements	3,578,860	24,748	-	-	3,603,608
Revenue rolling stock	26,923,402	176,937	(286,664)	214,406	27,028,081
Equipment	5,145,288	53,642	-	-	5,198,930
Total capital assets, depreciable	60,896,329	405,881	(286,664)	214,406	61,229,952
Less accumulated depreciation:					
Buildings	(5,398,494)	(587,752)	-	-	(5,986,246)
Land improvements	(124,266)	(119,573)	-	-	(243,839)
Revenue rolling stock	(17,434,478)	(2,192,838)	286,664	-	(19,340,652)
Equipment	(3,820,164)	(189,160)	-	-	(4,009,324)
Total accumulated depreciation	(26,777,402)	(3,089,323)	286,664	-	(29,580,061)
Net depreciable capital assets	34,118,927	(2,683,442)	-	214,406	31,649,891
Net capital assets	\$ 36,855,141	\$ (2,082,371)	\$ -	\$ -	\$ 34,772,770

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

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

Salem Area Mass Transit District
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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 in excess of \$5,000, if any, is returned to the federal governments.

(6) Employee Retirement Plans

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

A. Defined Benefit Plans

The District contributes to two single-employer defined benefit pension plans. The Salem Area Mass Transit–Non-bargaining plan (Non-bargaining) covers all nonunion employees. The Salem Area Mass Transit-Bargaining plan (Bargaining) covers all union employees.

Each plan's assets are held in trust, independent of the District, and solely for the purpose of paying each plan's benefits and administrative expenses. The assets are invested in a variety of stocks, bonds, and other securities. Neither plan includes in its assets, any District securities or securities of any related parties. No loans have been granted to the District from plan funds.

Plan Description

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 Pioneer Trust. 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.

Benefits Provided

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

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

The benefit payable at a participant's normal retirement date will be equal to the excess of 1.64 percent times the participant's final average salary times the participant's benefit credits for the non-bargaining employees or 1.64 percent for the bargaining unit employees over the amount which is the actuarial equivalent of the participant's account balance in the plan as of termination of employment.

Salem Area Mass Transit District
Notes To The Basic Financial Statements
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Non-Bargaining Plan

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms as of the most recent actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	7
Active employees	54
	<u>88</u>

Contributions

The District is in the process of establishing a formal funding policy with the Board of Directors. The Board of Directors has the authority to establish or amend such policies. Currently, the District's contribution rates are actuarially determined and approved and implemented by executive staff. Contributions to the plan are made quarterly according to an actuarially determined rate recommended by an independent actuary. This rate is intended to finance the cost of current benefits earned, plus an amount to finance the unfunded accrued liability. This rate, expressed as a percentage of covered payroll was, 12.62 percent and 29.02 percent for the years ended June 30, 2015 and 2014, respectively. The District makes additional level dollar contribution to further reduce the unfunded accrued liability. For the years ended June 30, 2015 and 2014, that amount was \$50,645 and \$604,852, respectively.

Net Pension Liability

The District's net pension liability for the non-bargaining plan at June 30, 2015, was measured as of that date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013.

The District's net pension liability for the non-bargaining plan at June 30, 2014 was measured as of that date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013.

Actuarial Methods and Assumptions

The total pension liability in the July 1, 2013, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation rate:	3%
Salary increases:	8.25% for first 5.5 years of service; 4.00% thereafter
Investment rate of return, net:	6.75%
Mortality:	RP-2000 Combined Healthy Mortality Table projected to 2015 per Scale AA

The non-bargaining pension plan does not provide for automatic, post-retirement benefit increases. No ad hoc increases have been adopted.

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2013:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Cash	1.82%	0.50%
Core Fixed Income	30.88%	2.20%
Non-U.S. Fixed Income	16.83%	1.32%
Broad U.S. Equities	27.40%	6.12%
Mid Cap U.S. Equities	5.93%	6.63%
Small Cap U.S. Equities	2.97%	7.64%
Developed Foreign Equities	3.79%	6.29%
Emerging Market Equities	5.84%	8.94%
Real Estate (REITS)	4.54%	5.59%
	100.00%	
		6.75%

Rate of Return

For the years ended June 30, 2015 and 2014, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.47 percent and 12.46 percent. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate is used to measure the total pension liability was 6.75 percent as of June 30, 2015 and 2014. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the current contribution rate. The actuarially determined contribution rate is based on a closed amortization period, which means that payment of the actuarially determined contribution each year will bring the plan to a 100% funded position by the end of the amortization period. Plan assets are assumed to earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014**

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 6/30/14	\$ 6,662,590	\$ 5,072,722	\$ 1,589,868
Changes for the year:			
Service cost	67,782	-	67,782
Interest on total pension liability	436,793	-	436,793
Benefit payments	(527,340)	(527,340)	-
Employer contributions	-	450,685	(450,685)
ICMA transfers	-	334,156	(334,156)
Net investment income	-	76,388	(76,388)
Balance at 6/30/15	\$ 6,639,825	\$ 5,406,611	\$ 1,233,214

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 6/30/13	\$ 6,652,319	\$ 3,863,409	\$ 2,788,910
Changes for the year:			
Service cost	63,496	-	63,496
Interest on total pension liability	437,042	-	437,042
Benefit payments	(490,267)	(490,267)	-
Employer contributions	-	1,069,000	(1,069,000)
ICMA transfers	-	111,013	(111,013)
Net investment income	-	519,567	(519,567)
Balance at 6/30/14	\$ 6,662,590	\$ 5,072,722	\$ 1,589,868

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

The following presents the net pension liability of the District, calculated using a discount rate of 6.75 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate of one percentage point lower or one percentage point higher than the rate used:

	Net Pension Liability	
	2015	2014
1% decrease (5.75%)	\$ 1,769,368	\$ 2,147,014
Current discount rate (6.75%)	1,233,214	1,589,868
1% increase (7.75%)	675,364	1,021,154

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position can be obtained by writing to: Salem-Keizer Transit, 555 Court St NE Suite 5230, Salem, OR 97301-3980.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2015 and 2014, The District recognized pension expense of \$(278,123) and \$(657,050), respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2015:

	Deferred Inflow of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	\$ (141,533)	\$ 219,656

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 7,736
2017	7,736
2018	7,737
2019	54,914
2020	-
Thereafter	-

Bargaining Plan

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms as of the most recent actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>116</u>
	<u>188</u>

Contributions

The District is in the process of establishing a formal funding policy with the Board of Directors. The Board of Directors has the authority to establish or amend such policies. Currently, the District's contribution rates are actuarially determined and approved and

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

implemented by the executive staff. Contributions to the plan are made quarterly according to an actuarially determined rate recommended by an independent actuary. This rate is intended to finance the cost of current benefits earned, plus an amount to finance the unfunded accrued liability. This rate, expressed as a percentage of covered payroll was, 24.39 percent and 38.05 percent for the years ended June 30, 2015 and 2014, respectively. The District makes additional level dollar contribution to further reduce the unfunded accrued liability. For the years ended June 30, 2015 and 2014, that amount was \$0 and \$959,392, respectively.

Net Pension Liability

The District's net pension liability for the non-bargaining plan at June 30, 2015, was measured as of that date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013.

The District's net pension liability for the non-bargaining plan at June 30, 2014 was measured as of that date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013.

Actuarial Methods and Assumptions

The total pension liability in the July 1, 2013, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation rate:	3%
Salary increases:	8.25% for first 5.5 years of service; 4.00% thereafter
Investment rate of return, net:	6.75%
Mortality:	RP-2000 Combined Healthy Mortality Table projected to 2015 per Scale AA

The non-bargaining pension plan does not provide for automatic, post-retirement benefit increases. No ad hoc increases have ever been adopted.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2013:

Salem Area Mass Transit District
Notes To The Basic Financial Statements
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Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Cash	1.82%	0.50%
Core Fixed Income	30.88%	2.20%
Non-U.S. Fixed Income	16.83%	1.32%
Broad U.S. Equities	27.40%	6.12%
Mid Cap U.S. Equities	5.93%	6.63%
Small Cap U.S. Equities	2.97%	7.64%
Developed Foreign Equities	3.79%	6.29%
Emerging Market Equities	5.84%	8.94%
Real Estate (REITS)	4.54%	5.59%
	100.00%	
		6.75%

Rate of Return

For the years ended June 30, 2015 and 2014, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.50 percent and 12.59 percent. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate is used to measure the total pension liability was 6.75 percent as of June 30, 2015 and 2014. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the current contribution rate. The actuarially determined contribution rate is based on a closed amortization period, which means that payment of the actuarially determined contribution each year will bring the plan to a 100% funded position by the end of the amortization period. Plan assets are assumed to earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 6/30/14	\$ 16,945,345	\$ 12,993,392	\$ 3,951,953
Changes for the year:			
Service cost	571,573	-	571,573
Interest on total pension liability	1,157,908	-	1,157,908
Benefit payments	(737,506)	(737,506)	-
Employer contributions	-	1,374,052	(1,374,052)
ICMA transfers	-	388,882	(388,882)
Net investment income	-	204,680	(204,680)
Balance at 6/30/15	\$ 17,937,320	\$ 14,223,500	\$ 3,713,820

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 6/30/13	\$ 15,884,678	\$ 9,769,695	\$ 6,114,983
Changes for the year:			
Service cost	535,431	-	535,431
Interest on total pension liability	1,089,620	-	1,089,620
Benefit payments	(564,384)	(564,384)	-
Employer contributions	-	2,362,838	(2,362,838)
ICMA transfers	-	93,932	(93,932)
Net investment income	-	1,331,311	(1,331,311)
Balance at 6/30/14	\$ 16,945,345	\$ 12,993,392	\$ 3,951,953

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

The following presents the net pension liability of the District, calculated using a discount rate of 6.75 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate of one percentage point lower or one percentage point higher than the rate used:

	Net Pension Liability	
	2015	2014
1% decrease (5.75%)	\$ 5,711,083	\$ 5,884,464
Current discount rate (6.75%)	3,713,819	3,951,953
1% increase (7.75%)	1,950,213	2,253,428

Salem Area Mass Transit District
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Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position can be obtained by writing to: Salem-Keizer Transit, 555 Court St NE Suite 5230, Salem, OR 97301-3980.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2015 and 2014, the District recognized pension expense of \$136,383 and \$(627,438), respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2015:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings	\$ (365,419)	\$ 565,134

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 19,477
2017	19,477
2018	19,476
2019	141,285
2020	-
Thereafter	-

B. Defined Contribution Plan

Plan Description

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

Benefits Provided

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.

Contributions

The District makes all contributions to the plan. The District’s contributions for each

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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. For the years ended June 30, 2015 and 2014, employer contributions recognized as expense were \$349,004 and \$319,336, respectively.

(7) Post Employment Benefits Other than Pensions

A. Plan Description

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

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

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

B. Funding Policy

The District collects insurance premiums, net of applied explicit benefits, from all retirees each month. The District then pays health insurance premiums for all retirees at the blended rate for each family classification. The required contribution to the plan included the employer's pay-as-you-go amount, an amount paid by retirees and an additional amount calculated to prefund future benefits as determined by the actuary. The District has elected to not pre-fund the actuarially determined future cost. The amount paid by the District for retirees, and eligible retiree spouses, healthcare for the years ended June 30, 2015 and 2014 was \$127,643 and \$77,625 respectively.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the guidelines of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded

Salem Area Mass Transit District
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For the Years Ended June 30, 2015 and 2014

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, 2015, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	<u>2015</u>	<u>2014*</u>	<u>2013*</u>
Annual required contribution	\$ 541,272	\$ 601,000	\$ 601,000
Interest earned on net OPEB obligation	79,976	40,000	40,000
Adjustment to the annual required contribution	<u>(163,067)</u>	<u>(50,000)</u>	<u>(50,000)</u>
Annual OPEB cost	458,181	591,000	591,000
Estimated benefit payments	<u>238,432</u>	<u>210,000</u>	<u>210,000</u>
Increase in Net OPEB obligation	219,749	381,000	381,000
Beginning net OPEB obligation	<u>2,285,030</u>	<u>1,904,030</u>	<u>1,523,030</u>
Ending net OPEB obligation	<u>\$ 2,504,779</u>	<u>\$ 2,285,030</u>	<u>\$ 1,904,030</u>

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

The District's percentage of annual OPEB cost contributed to the plan for fiscal years ending June 30, 2015, 2014, and 2013 was 51 percent, 36 percent, and 36 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, 2015, based on the July 1, 2013 actuarial valuation is as follows:

Actuarial value of assets	\$ -
Actuarial accrued liability	<u>3,681,355</u>
Unfunded actuarial accrued liability (UAAL)	3,681,355
Funded ratio	0%
Covered payroll	10,327,935
UAAL as a percentage of covered payroll	<u>36%</u>

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2013 actuarial valuation used the projected unit credit cost method, an assumed 3.5 percent rate of return, and a healthcare cost inflation trend of 15.5 percent premiums for fiscal year 2013, 5.8 percent after the second year, 5.5 percent after the third and fourth years, 5.6 percent for the fifth through eleventh years, and slowly increasing to an ultimate rate of 5.9 percent in 2042 and beyond. The general inflation rate is assumed to be 2.75 percent per year. Retirement and withdrawal rates are the same as those used by the District in the actuarial valuations of retirement benefits. The discount rate is selected based on the expected long-term annual investment returns for Oregon’s Local Government Investment Pool and comparable investment vehicles. The unfunded actuarially accrued liability is amortized as a level percent of payroll over 15 years on a rolling basis.

(8) Interfund Transfers

Interfund transfers for the year ended June 30, 2015 consisted of the following:

<i>Transfers to:</i>	<i>Transfers from:</i>
	<i>General</i>
Capital Projects	\$ 102,842

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.

**Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014**

(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, 2015, the District also had commitment of approximately \$151,900 for architectural work related to the South Salem Transit Center.

The District has a long-term lease agreement for storage space. During the year ended June 30, 2014 the District vacated the office space that was being rented while the Courthouse Square building and transit mall were being remediated. Rent for the office space for the fiscal year ended June 30, 2014 was \$279,217. Rent for the storage space for fiscal years ended June 30, 2015 and 2014 was \$3,798 and \$3,726, respectively. Future obligations under the agreement are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 3,852
2017	3,852

(12) Subsequent Events

Management has evaluated subsequent events through January 20, 2016 and is not aware of any other subsequent events that require recognition or disclosure in the financial statements.

(13) Adoption of New Accounting Standard

The GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions in June 2012." The statement is required to be implemented for financial statements beginning after June 15, 2014. The District has implemented this standard for the current year and has retroactively applied the requirements to the prior year in order to retain comparability of the statements presented herein.

Statement No. 68 introduces a number of changes related to pension accounting and reporting. A net pension liability and deferred inflows and outflows of resources related to pensions must now be reported on the face of the Statement of Net Position. The calculation of pension expense has also been prescribed. A number of new disclosures are included in the Notes to the Basic Financial Statements and additional schedules are included as Required Supplementary Information.

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

As a result of the adoption of Statement No. 68, the following changes were made to amounts previously reported as of June 30, 2014:

	As Originally Reported	As Restated	Effect of Change
Statement of Net Position			
Current liabilities	\$ 4,149,053	\$ 3,717,897	\$ 431,156
Non-current liabilities			
Net pension liability - Non-bargaining	-	1,589,868	(1,589,868)
Net pension liability - Bargaining	-	3,951,953	(3,951,953)
Deferred inflows of resources			
Deferred inflows of resources - Non-bargaining	-	188,711	(188,711)
Deferred inflows of resources - Bargaining	-	487,225	(487,225)
Total effect of change			(5,786,601)
Beginning net position as of July 1, 2013, as originally reported			50,570,037
Beginning net position as of July 1, 2013, as restated			<u>\$ 44,783,436</u>
Statement of Revenues, Expenses and Changes in Net Position			
<hr/>			
Operating expenses			
Personnel services	\$ 17,077,508	\$ 13,960,216	\$ 3,117,292
Change in net position for the fiscal year ended June 30, 2014, as originally reported			27,702
Changes in net position for the fiscal year ended June 30, 2014, as restated			<u>\$ 3,144,994</u>

(14) Future 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. 72, "Fair Value Measurement and Application." This statement provides guidance for determining fair value measurements for financial reporting purposes. The statement is effective for fiscal years beginning after June 15, 2015.

Salem Area Mass Transit District
Notes To The Basic Financial Statements
For the Years Ended June 30, 2015 and 2014

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” This statement supersedes Statement No. 45, establishing new accounting and financial reporting requirements for governments whose employees are provided with other postemployment benefits. This statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” supersedes Statement No. 55, reducing the GAAP hierarchy to two categories of authoritative GAAP and addressing the use of non-authoritative literature. The statement is effective for fiscal years beginning after June 15, 2015.

Required Supplementary Information



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Salem Area Mass Transit District
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Years Ended June 30, 2015 and 2014

Defined Benefit Pension Plan - Non-Bargaining
(in 1,000s)

Last 10 Fiscal Years¹
Fiscal Year ending June 30

	2015	2014
Total Pension Liability		
Service cost	\$ 68	\$ 63
Interest on total pension liability	437	437
Benefit payments	(527)	(490)
Net change in total pension liability	(22)	10
Total pension liability, beginning	6,663	6,652
Total pension liability, ending (a)	<u>\$ 6,641</u>	<u>\$ 6,662</u>
Fiduciary Net Position		
Employer contributions	\$ 451	\$ 1,069
ICMA transfers	334	111
Investment income net of investment expenses	76	520
Benefit payments	(527)	(490)
Net change in plan fiduciary position	334	1,210
Fiduciary net position, beginning	5,073	3,863
Fiduciary net position, ending (b)	<u>\$ 5,407</u>	<u>\$ 5,073</u>
Net pension liability, ending = (a)-(b)	<u>\$ 1,234</u>	<u>\$ 1,589</u>
Fiduciary net position as a % of total pension liability	81.42%	76.15%
Covered payroll	\$ 3,572	\$ 3,684
Net pension liability as a % of covered payroll	34.55%	43.13%

¹ This schedule is intended to show a 10-year trend of changes in the net pension liability. However, until a full 10-year trend is compiled, information will only be presented for those years in which it is available.

Salem Area Mass Transit District
Schedule of Employer Contributions -Defined Benefit Plan - Non-bargaining
Last 10 Fiscal Years

	2015	2014	2013	2012
Actuarially determined contribution	\$ 400,040	\$ 464,148	\$ 418,720	\$ 544,976
Actual employer contribution	450,685	1,069,000	704,449	316,025
Contribution deficiency(excess)	<u>\$ (50,645)</u>	<u>\$ (604,852)</u>	<u>\$ (285,729)</u>	<u>\$ 228,951</u>
Covered payroll	\$ 3,571,786	\$ 3,683,712	\$ 3,323,178	\$ 3,707,321
Contribution as a % of covered payroll	12.62%	29.02%	21.20%	8.52%

Notes to Schedule:

Valuation date: 7/1/2013

Investment rate of return assumption: 6.75%

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal

Amortization method: Level dollar

Type of period: Open period

Amortization period at 7/1/13: 12 years

Amortization growth rate: 0.00%

Asset valuation method: Market value

Inflation: 3.00%

Salary increases: 8.25% for first 5.5 year of service; 4.00% thereafter

Investment rate of return: 6.75%

Cost of living adjustments: None

Turnover: Service based

Mortality: RP-2000 Combined healthy morality with projection to 2015 per Scale AA

2011	2010	2009	2008	2007	2006
\$ 511,342	\$ 354,515	\$ 360,588	\$ 307,171	\$ 152,184	\$ 164,064
391,913	328,377	294,417	270,653	224,480	164,064
\$ 119,429	\$ 26,138	\$ 66,171	\$ 36,518	\$ (72,296)	\$ -
\$ 3,478,516	\$ 3,313,227	\$ 3,369,982	\$ 3,530,703	\$ 3,539,157	\$ 3,815,442
11.27%	9.91%	8.74%	7.67%	6.34%	4.30%



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Salem Area Mass Transit District
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Years Ended June 30, 2015 and 2014

Defined Benefit Pension Plan - Bargaining
(in 1,000s)
Last 10 Fiscal Years¹
Fiscal Year ending June 30

	2015	2014
Total Pension Liability		
Service cost	\$ 572	\$ 535
Interest on total pension liability	1,158	1,090
Benefit payments	(738)	(564)
Net change in total pension liability	992	1,061
Total pension liability, beginning	16,945	15,885
Total pension liability, ending (a)	<u>\$ 17,937</u>	<u>\$ 16,946</u>
Fiduciary Net Position		
Employer contributions	\$ 1,374	\$ 2,363
ICMA transfers	389	94
Investment income net of investment expenses	205	1,331
Benefit payments	(738)	(564)
Net change in plan fiduciary position	1,230	3,224
Fiduciary net position, beginning	12,993	9,770
Fiduciary net position, ending (b)	<u>\$ 14,223</u>	<u>\$ 12,994</u>
Net pension liability, ending = (a)-(b)	<u>\$ 3,714</u>	<u>\$ 3,952</u>
Fiduciary net position as a % of total pension liability	79.29%	76.68%
Covered payroll	\$ 5,633	\$ 6,210
Net pension liability as a % of covered payroll	65.93%	63.64%

¹ This schedule is intended to show a 10-year trend of changes in the net pension liability. However, until a full 10-year trend is compiled, information will only be presented for those years in which it is available.

Salem Area Mass Transit District
Schedule of Employer Contributions -Defined Benefit Plan - Bargaining
Last 10 Fiscal Years

	2015	2014	2013
Actuarially determined contribution	\$ 1,385,691	\$ 1,403,446	\$ 1,310,605
Actual employer contribution	1,374,052	2,362,838	1,314,866
Contribution deficiency(excess)	<u>\$ 11,639</u>	<u>\$ (959,392)</u>	<u>\$ (4,261)</u>
Covered payroll	\$ 5,632,890	\$ 6,209,939	\$ 5,850,916
Contribution as a % of covered payroll	24.39%	38.05%	22.47%

Notes to Schedule:

Valuation date: 7/1/2013

Investment rate of return assumption: 6.75%

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal

Amortization method: Level dollar

Type of period: Open period

Amortization period at 7/1/13: 12 years

Amortization growth rate: 0.00%

Asset valuation method: Market value

Inflation: 3.00%

Salary increases: 8.25% for first 5.5 year of service; 4.00% thereafter

Investment rate of return: 6.75%

Cost of living adjustments: None

Turnover: Service based

Mortality: RP-2000 Combined healthy morality with projection to 2015 per Scale AA

2012	2011	2010	2009	2008	2007	2006
\$ 1,336,104	\$ 1,316,567	\$ 1,176,679	\$ 947,845	\$ 845,719	\$ 745,309	\$ 755,685
1,352,215	1,172,427	1,138,077	861,566	928,704	591,481	755,685
\$ (16,111)	\$ 144,140	\$ 38,602	\$ 86,279	\$ (82,985)	\$ 153,828	\$ -
\$ 5,991,497	\$ 5,903,889	\$ 6,003,464	\$ 5,924,033	\$ 5,955,768	\$ 5,962,469	\$ 6,045,420
22.57%	19.86%	18.96%	14.54%	15.59%	9.92%	12.50%

Salem Area Mass Transit District
Schedule of OPEB Funding Progress
Other Post-Employment Benefit (OPEB) Funding Progress

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
7/1/2013	\$ -	\$ 3,681,355	\$ 3,681,355	0.00%	\$ 10,327,935	36%
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%

Supplementary Information

BUDGETARY COMPARISON SCHEDULES

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

Enterprise Budgetary Comparison schedules include the following:

- General Fund
- Capital Project Fund
- Special Transportation Fund

Salem Area Mass Transit District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual On A Non-GAAP Budgetary Basis - General Fund
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		
Revenues				
Local revenue				
Passenger fares, passes & other fixed route services	\$ 2,835,640	\$ 2,835,640	\$ 2,701,909	\$ (133,731)
Property taxes	10,089,142	10,089,142	10,777,993	688,851
Courthouse square rentals	72,400	72,400	27,210	(45,190)
Earnings on investments	40,000	40,000	94,776	54,776
Miscellaneous	26,000	26,000	59,720	33,720
Total local revenue	<u>13,063,182</u>	<u>13,063,182</u>	<u>13,661,608</u>	<u>598,426</u>
State revenue				
Energy tax credits	140,000	140,000	505,609	365,609
State in lieu taxes	4,800,000	4,800,000	5,395,588	595,588
Total state revenue	<u>4,940,000</u>	<u>4,940,000</u>	<u>5,901,197</u>	<u>961,197</u>
Federal revenue				
FTA urbanized area formula program (5307)	3,861,093	3,861,093	5,229,968	1,368,875
FTA metropolitan & statewide planning (5303)	133,726	133,726	133,726	-
Oregon health authority - medical assistance programs (DMAP)	64,000	64,000	207,553	143,553
Total federal revenue	<u>4,058,819</u>	<u>4,058,819</u>	<u>5,571,247</u>	<u>1,512,428</u>
Total revenues	<u>22,062,001</u>	<u>22,062,001</u>	<u>25,134,052</u>	<u>3,072,051</u>
Expenditures				
Personnel services	18,140,690	18,140,690	16,532,584	1,608,106
Materials and services	5,525,608	5,525,608	4,401,288	1,124,320
Contingency	1,500,000	1,500,000	-	1,500,000
Total expenditures	<u>25,166,298</u>	<u>25,166,298</u>	<u>20,933,872</u>	<u>4,232,426</u>
Excess (deficiency) of revenues over expenditures	(3,104,297)	(3,104,297)	4,200,180	7,304,477
Other financing sources (uses)				
Transfers in from other funds	2,000	2,000	-	(2,000)
Transfer out to other funds	(2,029,514)	(2,029,514)	(102,842)	1,926,672
Net change in fund balance	(5,131,811)	(5,131,811)	4,097,338	9,229,149
Fund balance, beginning of year	<u>6,632,332</u>	<u>6,632,332</u>	<u>10,225,673</u>	<u>3,593,341</u>
Fund balance, end of year	<u>\$ 1,500,521</u>	<u>\$ 1,500,521</u>	<u>\$ 14,323,011</u>	<u>\$ 12,822,490</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, 2015

Revenues	Budget		Actual	Variance
	Original	Final		
State Revenue				
Special transportation fund program (ODOT)	\$ 72,000	\$ 72,000	\$ -	\$ (72,000)
Federal revenue				
Urbanized area formula (Section 5307)	1,620,976	1,620,976	41,372	(1,579,604)
FTA Job Access / Reverse Commute Programs (Section 3037)	-	-	17	17
Formula Grants for Other than Urbanized Areas (5311)	-	-	42,107	42,107
New freedom program (5317)	245,511	245,511	18,013	(227,498)
Discretionary grants - section (5309)	2,797,581	2,797,581	322,308	(2,475,273)
Federal Flex Funds	2,581,935	2,581,935	220,813	(2,361,122)
Total federal revenue	7,246,003	7,246,003	644,630	(6,601,373)
Other revenue				
Insurance Settlement	-	-	22,557	22,557
Total revenues	7,318,003	7,318,003	667,187	(6,650,816)
Expenditures				
Personnel services	224,915	224,915	100,653	124,262
Materials and services	44,700	44,700	25,566	19,134
Capital outlay	6,163,634	6,163,634	953,437	5,210,197
Total expenditures	6,433,249	6,433,249	1,079,656	5,353,593
Excess (deficiency) of revenues over expenditures	884,754	884,754	(412,469)	(12,004,409)
Other financing sources (uses)				
Transfer from general fund	1,911,054	1,911,054	102,842	(1,808,212)
Transfer from other funds	531,732	531,732	-	(531,732)
Total other financing sources (uses)	2,442,786	2,442,786	102,842	(2,339,944)
Net change in fund balance	3,327,540	3,327,540	(309,627)	(3,637,167)
Fund balance, beginning of year	3,282,374	3,282,374	4,017,170	734,796
Fund balance, end of year	\$ 6,609,914	\$ 6,609,914	\$ 3,707,543	\$ (2,902,371)

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, 2015

	Budget		Actual	Variance
	Original	Final		
Revenues				
Local revenue				
Passenger fares	\$ 430,450	\$ 430,450	\$ 402,340	\$ (28,110)
State revenue				
Special transportation fund program (ODOT)	1,376,719	1,376,719	1,599,546	222,827
Federal revenue				
Oregon health plan - medical assistance programs (DMAP)	7,446,159	8,696,159	10,350,887	1,654,728
Developmental disabilities transportation services (DD53)	3,116,622	3,116,622	2,948,422	(168,200)
Transportation for elderly persons and persons with disabilities (5310)	1,204,535	1,204,535	1,235,812	31,277
Formula grants for other than urbanized areas (5311)	331,050	331,050	288,944	(42,106)
Rideshare/TDM grant	388,463	388,463	372,365	(16,098)
Urbanized area formula (Section 5307)	<u>1,309,657</u>	<u>1,309,657</u>	<u>1,109,791</u>	<u>(199,866)</u>
Total federal revenue	<u>13,796,486</u>	<u>15,046,486</u>	<u>16,306,221</u>	<u>1,259,735</u>
Total revenues	<u>15,603,655</u>	<u>16,853,655</u>	<u>18,308,107</u>	<u>1,454,452</u>
Expenditures				
Personnel services	1,347,481	1,347,481	1,120,552	226,929
Materials and services	<u>14,222,801</u>	<u>15,472,801</u>	<u>15,920,906</u>	<u>(448,105)</u>
Total expenditures	<u>15,570,282</u>	<u>16,820,282</u>	<u>17,041,458</u>	<u>(221,176)</u>
Excess (deficiency) of revenues over expenditures	33,373	33,373	1,266,649	1,675,628
Other financing sources (uses)				
Transfer from general fund	118,460	118,460	-	(118,460)
Transfer out to other funds	<u>(533,732)</u>	<u>(533,732)</u>	<u>-</u>	<u>533,732</u>
Total other financing sources (uses)	<u>(415,272)</u>	<u>(415,272)</u>	<u>-</u>	<u>415,272</u>
Net change in fund balance	(381,899)	(381,899)	1,266,649	1,648,548
Fund balance, beginning of year	<u>763,104</u>	<u>763,104</u>	<u>1,096,806</u>	<u>333,702</u>
Fund balance, end of year	<u>\$ 381,205</u>	<u>\$ 381,205</u>	<u>\$ 2,363,455</u>	<u>\$ 1,982,250</u>

Salem Area Mass Transit District

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

For the Fiscal Year Ended June 30, 2015

Net change in fund balance:

General fund	\$ 4,097,338
Capital improvement fund	(309,627)
Special transportation fund	<u>1,266,649</u>
Total change in fund balance	5,054,360

GAAP basis adjustments:

Capitalized capital assets	1,006,952
Depreciation expense	(3,089,323)
Pension contributions in excess of pension expense	1,549,053
Property taxes accrual	(63,643)
OPEB liability adjustment	<u>(219,749)</u>
Change in net position	<u>\$ 4,237,650</u>

Salem Area Mass Transit District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Capital Improvement Projects on a Non-GAAP Budget Basis
For the Fiscal Year Ended June 30, 2015

	Capital Project Administration	Del Webb Facility Improvements	ADA Assesment Center	Cherriots Vehicles	CherryLift Vehicles	Non-Revenue Vehicles
Revenues						
Federal revenue						
Urbanized area formula (Section 5307)	\$ -	\$ 23,665	\$ -	\$ -	\$ -	\$ -
FTA Job Access / Reverse Commute Programs (Section 3037)	-	17	-	-	-	-
Formula Grants for Other than Urbanized Areas (5311)	-	-	-	-	-	-
New freedom program (5317)	-	-	2,466	-	-	-
Discretionary grants - section (5309)	-	-	-	-	161,865	-
Federal Flex Funds	-	-	-	-	-	-
Total federal revenue	<u>-</u>	<u>23,682</u>	<u>2,466</u>	<u>-</u>	<u>161,865</u>	<u>-</u>
Other revenue						
Insurance Settlement	-	-	-	-	22,557	-
Total revenues	<u>-</u>	<u>23,682</u>	<u>2,466</u>	<u>-</u>	<u>184,422</u>	<u>-</u>
Expenditures						
Personnel services	33,319	2,129	163	192	-	-
Materials and services	11,157	3,145	634	990	-	-
Capital outlay	-	105,242	2,086	-	196,896	80,219
Total expenditures	<u>44,476</u>	<u>110,516</u>	<u>2,883</u>	<u>1,182</u>	<u>196,896</u>	<u>80,219</u>
Excess (deficiency) of revenues over expenditures	(44,476)	(86,834)	(417)	(1,182)	(12,474)	(80,219)
Other financing sources (uses)						
Transfer from general fund	34,238	49,755	-	-	-	5,219
Net change in fund balance	(10,238)	(37,079)	(417)	(1,182)	(12,474)	(75,000)
Fund balance, beginning of year	<u>43,216</u>	<u>290,079</u>	<u>417</u>	<u>2,268,920</u>	<u>97,893</u>	<u>75,000</u>
Fund balance, end of year	<u>\$ 32,978</u>	<u>\$ 253,000</u>	<u>\$ -</u>	<u>\$ 2,267,738</u>	<u>\$ 85,419</u>	<u>\$ -</u>

Keizer Transit Center	South Salem Transit Center	Bus Stop Improvements	CARTS Stop Improvements	Call Center Phone Replacement	Equipment	Courthouse Square Improvements	Furnishings	Leased Space Improvements	Total Capital Improvement Fund
\$ -	\$ -	\$ 17,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,372
-	-	-	-	-	-	-	-	-	17
-	-	-	42,107	-	-	-	-	-	42,107
-	-	-	-	-	15,547	-	-	-	18,013
20,415	140,028	-	-	-	-	-	-	-	322,308
-	-	220,813	-	-	-	-	-	-	220,813
<u>20,415</u>	<u>140,028</u>	<u>238,520</u>	<u>42,107</u>	<u>-</u>	<u>15,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>644,630</u>
-	-	-	-	-	-	-	-	-	22,557
<u>20,415</u>	<u>140,028</u>	<u>238,520</u>	<u>42,107</u>	<u>-</u>	<u>15,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>667,187</u>
13,742	6,763	41,464	981	1,900	-	-	-	-	100,653
4,940	203	2,745	-	847	-	-	905	-	25,566
<u>14,501</u>	<u>133,071</u>	<u>229,889</u>	<u>64,829</u>	<u>33,366</u>	<u>42,315</u>	<u>24,034</u>	<u>20,644</u>	<u>6,345</u>	<u>953,437</u>
<u>33,183</u>	<u>140,037</u>	<u>274,098</u>	<u>65,810</u>	<u>36,113</u>	<u>42,315</u>	<u>24,034</u>	<u>21,549</u>	<u>6,345</u>	<u>1,079,656</u>
(12,768)	(9)	(35,578)	(23,703)	(36,113)	(26,768)	(24,034)	(21,549)	(6,345)	(412,469)
3,308	-	-	-	-	-	10,322	-	-	102,842
(9,460)	(9)	(35,578)	(23,703)	(36,113)	(26,768)	(13,712)	(21,549)	(6,345)	(309,627)
<u>469,517</u>	<u>41,009</u>	<u>389,329</u>	<u>23,703</u>	<u>36,113</u>	<u>155,368</u>	<u>48,712</u>	<u>21,549</u>	<u>56,345</u>	<u>4,017,170</u>
<u>\$ 460,057</u>	<u>\$ 41,000</u>	<u>\$ 353,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,600</u>	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 3,707,543</u>

Salem Area Mass Transit District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Special Transportation Programs on a Non-GAAP Budget Basis
For the Fiscal Year Ended June 30, 2015

	<u>CherryLift</u>	<u>RED LINE</u>
Revenues		
Local revenue		
Passenger fares	\$ 197,048	\$ 12,509
State revenue		
Special transportation fund program (ODOT)	1,357,336	60,312
Federal revenue		
Oregon health plan - medical assistance programs (DMAP)	-	-
Developmental disabilities transportation services (DD53)	2,948,422	-
Transportation for elderly persons and persons with disabilities (5310)	309,833	149,571
Formula grants for other than urbanized areas (5311)	-	-
Rideshare/TDM grant	-	-
Urbanized area formula (Section 5307)	<u>1,109,791</u>	<u>-</u>
Total federal revenue	<u>4,368,046</u>	<u>149,571</u>
Total revenues	<u>5,922,430</u>	<u>222,392</u>
Expenditures		
Personnel services	323,377	12,780
Materials and services		
Other materials and services	4,369,427	176,546
Call center allocation	<u>190,666</u>	<u>33,066</u>
Total expenditures	<u>4,883,470</u>	<u>222,392</u>
Net change in fund balance	1,038,960	-
Fund balance, beginning of year	<u>640,889</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,679,849</u>	<u>\$ -</u>

CARTS	DMAP/ WVCH	TripLink Call Center	Travel Training	STF Coordination	Rideshare	TDM Grant	Total Special Transportation Fund
\$ 192,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 402,340
-	-	-	24,414	157,484	-	-	1,599,546
-	10,350,887	-	-	-	-	-	10,350,887
-	-	-	-	-	-	-	2,948,422
447,746	-	-	201,999	126,663	-	-	1,235,812
288,944	-	-	-	-	-	-	288,944
-	-	-	-	-	181,480	190,885	372,365
-	-	-	-	-	-	-	1,109,791
<u>736,690</u>	<u>10,350,887</u>	<u>-</u>	<u>201,999</u>	<u>126,663</u>	<u>181,480</u>	<u>190,885</u>	<u>16,306,221</u>
<u>929,473</u>	<u>10,350,887</u>	<u>-</u>	<u>226,413</u>	<u>284,147</u>	<u>181,480</u>	<u>190,885</u>	<u>18,308,107</u>
125,497	207,929	45,503	187,168	20,015	90,740	107,543	1,120,552
1,150,362	8,667,110	1,080,001	39,245	264,132	90,740	83,343	15,920,906
<u>31,606</u>	<u>870,166</u>	<u>(1,125,504)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,307,465</u>	<u>9,745,205</u>	<u>-</u>	<u>226,413</u>	<u>284,147</u>	<u>181,480</u>	<u>190,886</u>	<u>17,041,458</u>
(377,992)	605,682	-	-	-	-	-	1,266,649
<u>455,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,096,806</u>
<u>\$ 77,925</u>	<u>\$ 605,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,363,455</u>

Salem Area Mass Transit District
Schedule of Property Tax Transactions and Outstanding Balances
For the Fiscal Year Ended June 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>2014-15 Levy</u>	<u>Discount & Adjustments</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2015</u>
2014-15	\$ -	\$ 10,882,259	\$ (315,470)	\$ (10,279,838)	\$ 286,951
2013-14	316,534	-	(1,615)	(174,831)	140,088
2012-13	167,393	-	(648)	(78,565)	88,180
2011-12	98,779	-	1,404	(63,076)	37,107
2010-11	40,156	-	1,113	(26,365)	14,904
2009-10	15,125	-	(99)	(3,825)	11,201
2008-09	6,520	-	(385)	(1,582)	4,553
Prior years	15,767	-	(1,155)	(965)	13,647
Totals	<u>\$ 660,274</u>	<u>\$ 10,882,259</u>	<u>\$ (316,855)</u>	<u>\$ (10,629,047)</u>	<u>\$ 596,631</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 health.

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.

Revenue Capacity Information

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

Demographic and Economic Information

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

Operating Information

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

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



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Financial Trend Information

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>
ASSETS			
Current and other assets	\$ 8,895,486	\$ 10,258,141	\$ 11,263,617
Capital assets, net	<u>24,147,672</u>	<u>23,614,440</u>	<u>27,949,586</u>
Total assets	<u>33,043,158</u>	<u>33,872,581</u>	<u>39,213,203</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 33,043,158</u>	<u>\$ 33,872,581</u>	<u>\$ 39,213,203</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities	\$ 2,829,063	\$ 2,659,202	\$ 3,234,389
Noncurrent liabilities	<u>885,767</u>	<u>402,358</u>	<u>2,009,656</u>
Total liabilities	<u>3,714,830</u>	<u>3,061,560</u>	<u>5,244,045</u>
Deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Investment in capital assets	24,147,672	23,614,440	27,949,586
Restricted for capital projects and special transportation	-	1,281,412	4,543,842
Unrestricted	<u>5,180,656</u>	<u>5,915,169</u>	<u>1,475,730</u>
Total net position	<u>29,328,328</u>	<u>30,811,021</u>	<u>33,969,158</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 33,043,158</u>	<u>\$ 33,872,581</u>	<u>\$ 39,213,203</u>

2009	2010	2011	2012	2013	(restated) 2014	2015
\$ 9,902,524	\$ 15,370,036	\$ 17,728,733	\$ 23,652,119	\$ 24,153,129	\$ 20,148,979	\$ 24,911,083
28,131,954	27,433,790	33,014,713	28,156,242	34,371,636	36,855,141	34,772,770
38,034,478	42,803,826	50,743,446	51,808,361	58,524,765	57,004,120	59,683,853
-	-	-	-	-	-	784,790
<u>\$ 38,034,478</u>	<u>\$ 42,803,826</u>	<u>\$ 50,743,446</u>	<u>\$ 51,808,361</u>	<u>\$ 58,524,765</u>	<u>\$ 57,004,120</u>	<u>\$ 60,468,643</u>
\$ 2,822,167	\$ 4,840,891	\$ 5,355,014	\$ 7,938,659	\$ 6,078,400	\$ 3,717,897	\$ 3,488,792
746,212	813,866	1,153,604	1,523,030	1,904,030	7,826,851	7,451,813
3,568,379	5,654,757	6,508,618	9,461,689	7,982,430	11,544,748	10,940,605
-	-	-	-	-	675,936	506,952
28,131,954	27,433,790	33,014,713	28,156,242	34,371,636	36,855,141	34,772,770
4,727,824	6,058,918	1,699,364	2,178,935	4,928,337	5,055,907	5,957,083
1,606,321	3,656,361	9,520,751	12,011,495	11,242,362	2,872,388	8,291,233
34,466,099	37,149,069	44,234,828	42,346,672	50,542,335	44,783,436	49,021,086
<u>\$ 38,034,478</u>	<u>\$ 42,803,826</u>	<u>\$ 50,743,446</u>	<u>\$ 51,808,361</u>	<u>\$ 58,524,765</u>	<u>\$ 57,004,120</u>	<u>\$ 60,468,643</u>

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

	2006	2007	2008	2009
OPERATING REVENUES:				
Passenger fares	\$ 2,362,414	\$ 2,632,514	\$ 2,762,266	\$ 3,231,769
Accessible services and medicaid	-	-	-	-
Other revenue	603,628	496,318	795,715	622,791
Total operating revenues	<u>2,966,042</u>	<u>3,128,832</u>	<u>3,557,981</u>	<u>3,854,560</u>
OPERATING EXPENSES:				
Personnel services	14,126,427	13,586,670	14,524,212	14,351,777
Materials and services	11,686,151	12,083,544	12,769,166	15,770,114
Depreciation	1,504,886	1,644,803	2,512,574	2,459,175
OPEB expense	-	-	-	406,933
Total operating expenses	<u>27,317,464</u>	<u>27,315,017</u>	<u>29,805,952</u>	<u>32,987,999</u>
Operating loss	(24,351,422)	(24,186,185)	(26,247,971)	(29,133,439)
NON-OPERATING REVENUES (EXPENSES):				
Property taxes	7,743,212	8,314,992	8,566,026	9,076,275
State assistance	3,621,502	4,460,309	5,029,477	6,286,707
Federal assistance	9,273,351	8,674,691	9,488,576	9,173,937
Investment income	152,357	266,571	265,859	111,844
Insurance Settlement	-	-	-	-
(Loss) gain on disposal of capital assets	-	-	-	-
Total non-operating revenues (expenses)	<u>20,790,422</u>	<u>21,716,563</u>	<u>23,349,938</u>	<u>24,648,763</u>
Net income (loss) before contributions	(3,561,000)	(2,469,622)	(2,898,033)	(4,484,676)
EXTRAORDINARY ITEMS				
Loss on capital asset impairment	-	-	-	-
Litigation settlement	-	-	-	-
CAPITAL CONTRIBUTIONS				
Change in net position	(524,644)	1,482,693	3,158,137	496,941
NET POSITION, BEGINNING	<u>29,852,972</u>	<u>29,328,328</u>	<u>30,811,021</u>	<u>33,969,158</u>
Cumulative effect of restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION, ENDING	<u>\$ 29,328,328</u>	<u>\$ 30,811,021</u>	<u>\$ 33,969,158</u>	<u>\$ 34,466,099</u>

2010	2011	2012	2013	(restated) 2014	2015
\$ 2,095,166	\$ 2,271,146	\$ 2,916,951	\$ 2,793,604	\$ 2,776,575	\$ 2,817,514
-	1,255,467	2,472,645	3,127,234	3,129,220	4,305,757
886,411	501,722	594,405	653,937	465,052	365,058
<u>2,981,577</u>	<u>4,028,335</u>	<u>5,984,001</u>	<u>6,574,775</u>	<u>6,370,847</u>	<u>7,488,329</u>
15,408,544	15,536,920	15,715,505	16,130,831	13,960,216	16,204,737
15,143,728	13,275,500	14,901,593	16,200,005	18,310,843	20,294,244
2,341,038	2,699,400	3,556,442	2,883,582	3,032,068	3,089,323
406,933	339,738	369,426	381,000	381,000	219,749
<u>33,300,243</u>	<u>31,851,558</u>	<u>34,542,966</u>	<u>35,595,418</u>	<u>35,684,127</u>	<u>39,808,053</u>
(30,318,666)	(27,823,223)	(28,558,965)	(29,020,643)	(29,313,280)	(32,319,724)
9,461,631	9,632,849	9,733,903	9,984,733	10,179,017	10,714,350
7,764,506	7,615,152	7,459,771	5,251,979	5,746,114	6,350,961
13,010,303	10,306,319	11,014,530	12,538,020	11,786,100	18,721,493
32,217	44,304	58,336	65,672	53,457	94,776
-	-	-	-	-	22,557
-	-	(21,817)	14,000	1,859	8,607
<u>30,268,657</u>	<u>27,598,624</u>	<u>28,244,723</u>	<u>27,854,404</u>	<u>27,766,547</u>	<u>35,912,744</u>
(50,009)	(224,599)	(314,242)	(1,166,239)	(1,546,733)	3,593,020
-	-	(4,033,628)	-	-	-
-	-	-	3,842,554	-	-
<u>2,732,979</u>	<u>7,310,358</u>	<u>2,459,714</u>	<u>5,519,348</u>	<u>4,691,727</u>	<u>644,630</u>
2,682,970	7,085,759	(1,888,156)	8,195,663	3,144,994	4,237,650
<u>34,466,099</u>	<u>37,149,069</u>	<u>44,234,828</u>	<u>42,346,672</u>	<u>50,542,335</u>	<u>44,783,436</u>
-	-	-	-	(8,903,893)	-
<u>\$ 37,149,069</u>	<u>\$ 44,234,828</u>	<u>\$ 42,346,672</u>	<u>\$ 50,542,335</u>	<u>\$ 44,783,436</u>	<u>\$ 49,021,086</u>



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Revenue Capacity Information

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
	Residential	Commercial	Other	
2015	\$ 9,465,844,664	\$ 3,995,343,187	\$ 911,072,066	\$ 379,053,441
2014	9,007,573,480	3,846,172,970	905,365,652	368,759,319
2013	8,816,797,730	3,433,678,538	1,279,522,572	369,029,826
2012	8,759,048,203	3,339,150,044	1,343,247,958	379,657,608
2011	8,600,677,419	3,183,653,070	1,312,362,404	442,244,755
2010	8,361,385,216	3,087,730,407	1,289,452,586	427,454,948
2009	8,077,158,768	2,918,957,086	1,277,143,724	339,680,536
2008	7,684,866,692	2,803,893,266	1,216,667,745	344,047,884
2007	7,302,989,213	2,647,888,179	1,144,732,743	305,671,160
2006	6,904,738,831	2,502,620,059	1,124,720,548	305,267,725

Sources:
Marion County and Polk County Assessors.

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

<u>Personal Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Value of Taxable Property</u>
\$ 382,966,983	\$ 15,134,280,341	0.7609	\$ 23,163,638,103
412,792,970	14,540,664,391	0.7609	22,031,259,655
390,105,749	14,289,134,415	0.7609	21,722,497,819
380,494,517	14,201,598,330	0.7609	21,696,127,273
388,944,263	13,927,881,911	0.7609	22,584,754,218
394,774,662	13,560,797,819	0.7609	23,200,234,621
376,216,930	12,989,157,044	0.7609	23,664,102,049
365,161,804	12,414,637,391	0.7609	22,610,541,701
340,400,775	11,741,682,070	0.7609	19,737,098,423
335,286,345	11,172,633,508	0.7609	17,733,108,386

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

Taxpayer	2015			2006		
	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	\$ 126,569,221	0.89%	1	\$ 89,898,900	0.80%
Northwest Natural Gas Co	2	92,097,700	0.41%	3	73,513,500	0.66%
Lancaster Development Company LLC	3	58,833,290	0.64%	4	46,529,970	0.42%
CenturyLink (Formerly Qwest)	4	47,886,000	0.34%	2	77,545,800	0.69%
Donahue Schriber Realty Group	5	51,968,800	0.36%			0.00%
Metropolitan Life Insurance Co	6	45,385,410	0.32%	5	34,365,100	0.31%
Comcast Corporation	7	39,818,000	0.28%		15,951,073	0.14%
State Investments LLC	8	38,153,602	0.27%		13,811,595	0.12%
Wal-Mart Real Estate Business Tr	9	33,706,160	0.24%	6	26,835,980	0.24%
HD Salem OR Landlord LLC	10	33,954,000	0.24%			
State Accident Insurance Fund				7	24,090,330	0.22%
Lowe's HIW Inc				8	23,413,456	0.21%
PPG Industries Inc				9	22,010,357	0.20%
Price-ASG LLC				10	19,042,120	0.17%
Total for principal taxpayers		<u>568,372,183</u>	3.98%		<u>467,008,181</u>	4.18%
Total taxable assessed value		<u>\$ 14,289,134,415</u>			<u>\$ 11,172,633,508</u>	

Sources:

Marion County and Polk County Assessors.

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2015	\$ 10,882,259	\$ 10,279,838	94.46%	\$ -	\$ 10,279,838	94.46%
2014	10,472,555	9,853,189	94.09%	174,831	10,028,020	95.76%
2013	10,233,065	9,570,505	93.53%	261,042	9,831,547	96.08%
2012	10,084,413	9,412,400	93.34%	310,086	9,722,486	96.41%
2011	9,899,957	9,218,258	93.11%	325,429	9,543,687	96.40%
2010	9,648,987	8,976,407	93.03%	367,844	9,344,251	96.84%
2009	9,308,022	8,651,833	92.95%	393,022	9,044,855	97.17%
2008	8,920,000	8,353,566	93.65%	311,415	8,664,981	97.14%
2007	8,464,291	7,999,676	94.51%	255,638	8,255,314	97.53%
2006	7,969,446	7,505,581	94.18%	242,290	7,747,871	97.22%

Sources:
Marion County Assessor and Polk County Treasurer

Demographic and Economic Information

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

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate</u>
2015	331,643	\$ 11,614,203	\$ 35,614	6.1%
2014	326,150	11,484,654	35,489	6.9%
2013	322,880	11,249,451	35,156	8.5%
2012	319,985	11,249,451	35,156	9.6%
2011	318,150	10,790,917	33,841	10.2%
2010	315,335	10,371,061	32,805	10.8%
2009	318,170	10,453,957	32,876	10.8%
2008	314,865	10,374,739	33,075	9.2%
2007	311,070	9,901,895	31,926	5.5%
2006	306,665	9,458,541	30,924	5.7%

Personal Income in thousands

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

Sources:

Oregon Employment Department - Worksource Oregon
 Marion County - Oregon Demographics
 US Department of Commerce, Bureau of Economic Analysis
 US Census Bureau
 US Bureau of Labor Statistics, Local Area Unemployment Statistics
 Population Research Center, Portland State University

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

<u>Employer</u>	<u>FY 2015</u>		<u>FY 2006</u>	
	<u>Employees</u>	<u>% of Total</u>	<u>Employees</u>	<u>% of Total</u>
Government	41,108	26.93%	39,767	26.74%
Trade, transportation, and utilities	24,925	16.32%	25,325	17.03%
Educational and health services	24,283	15.90%	18,817	12.65%
Leisure and hospitality	13,958	9.14%	12,258	8.24%
Professional and business services	13,308	8.71%	13,100	8.81%
Manufacturing	12,450	8.15%	15,325	10.30%
Construction	8,125	5.32%	8,842	5.94%
Financial activities	7,175	4.70%	7,358	4.95%
Other services	5,233	3.43%	5,167	3.47%
Mining and logging	1,150	0.75%	1,308	0.88%
Information	1,000	0.65%	1,475	0.99%
Total Salem Metropolitan Area Non-Farm Payroll Employment	<u>152,715</u>	<u>100.00%</u>	<u>148,742</u>	<u>100.00%</u>

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



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Operating Information

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

Division	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Administrative										
General Manager	3.0	2.0	2.0	2.0	3.0	2.0	2.0	2.0	2.0	2.0
Finance	8.0	8.0	8.75	8.3	6.75	7.0	7.0	7.0	6.6	6.5
Human Resources	6.6	6.0	6.0	6.0	5.5	5.5	4.5	4.5	5.0	5.6
Information Systems	3.0	2.0	2.0	2.1	2.1	3.1	4.0	4.0	5.0	4.4
Operations										
Administration	3.0	3.0	3.0	3.0	3.0	2.0	2.0	4.0	3.9	3.0
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	10.0	9.0	9.0	9.0	9.0	11.0	11.0	10.0	10.0	9.0
Fixed Route Operations - Bargaining	129.0	104.0	106.5	106.5	96.5	97.5	97.5	96.0	96.0	101.0
Vehicle Maintenance - Non-Bargaining	5.0	5.0	5.0	5.0	6.0	6.0	6.0	4.0	3.7	3.8
Vehicle Maintenance - Bargaining	26.0	22.0	21.0	21.0	19.0	19.0	19.0	20.0	22.6	20.6
Facilities Maintenance - Non-Bargaining	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Facilities Maintenance - Bargaining	5.0	4.0	5.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Transportation Development										
Transportation Development	5.0	4.0	4.0	4.0	3.0	7.0	7.0	4.0	4.4	3.7
Rideshare Program	2.0	2.0	2.0	2.0	2.0	1.0	1.5	2.0	2.0	-
Community Relations										
Customer Service	7.5	6.5	6.5	6.5	5.5	5.5	6.0	6.0	6.0	6.1
Marketing	-	-	-	-	-	-	-	2.0	2.0	2.0
Director	-	-	-	-	-	-	-	1.0	1.0	1.0
Total FTE Per Budget	<u>215.1</u>	<u>179.5</u>	<u>182.75</u>	<u>183.4</u>	<u>168.35</u>	<u>173.6</u>	<u>174.5</u>	<u>173.5</u>	<u>177.2</u>	<u>175.7</u>

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

Fixed Route System

Fiscal Year	Fare Revenue	Operating Expense	Revenue Margin	Annual Vehicle Miles	Annual Revenue Miles	Unlinked Passenger Trips (UPT)
2006	\$ 2,044,104	\$ 18,013,506	11.3%	2,808,326	2,593,144	5,551,542
2007	2,286,289	17,104,414	13.4%	2,430,139	2,235,947	5,125,357
2008	2,762,266	17,707,826	15.6%	2,329,787	2,150,744	5,047,275
2009	3,231,769	17,349,035	18.6%	2,192,433	2,009,115	4,746,944
2010	2,095,166	17,904,498	11.7%	2,171,446	2,019,554	4,272,534
2011	2,156,084	18,481,242	11.7%	2,131,035	1,990,530	4,203,930
2012	2,487,342	18,582,768	13.4%	2,089,966	1,951,757	3,363,002
2013	2,358,925	19,555,613	12.1%	2,117,115	1,982,591	3,413,873
2014	2,363,360	20,331,685	11.6%	2,125,959	2,001,989	3,322,655
2015	2,623,816	20,751,653	12.6%	2,191,929	2,059,524	3,371,517

Demand Response

Fiscal Year	Fare Revenue	Operating Expense	Revenue Margin	Annual Vehicle Miles	Annual Revenue Miles	Unlinked Passenger Trips (UPT)
2006	\$ 360,920	\$ 4,426,714	8.2%	1,358,527	1,157,971	293,028
2007 ^	372,961	9,148,118	4.1%	2,410,478	2,110,211	341,171
2008	381,634	9,459,013	4.0%	3,605,490	3,169,918	430,040
2009	316,694	11,567,019	2.7%	4,314,455	3,467,393	440,924
2010	389,909	11,044,498	3.5%	3,998,375	3,485,995	465,112
2011	311,598	12,975,583	2.4%	3,838,149	3,724,201	441,921
2012	248,961	11,527,023	2.2%	4,789,771	4,789,771	429,685
2013	198,154	12,865,869	1.5%	4,530,236	4,182,683	488,466
2014	175,101	13,710,320	1.3%	4,750,911	4,382,166	528,610
2015	226,675	16,771,188	1.4%	7,871,544	7,482,224	581,184

Vanpool

Fiscal Year	Fare Revenue	Operating Expense	Revenue Margin	Annual Vehicle Miles	Annual Revenue Miles	Unlinked Passenger Trips (UPT)
2006	\$ 17,346	\$ 233,704	7.4%	122,877	122,877	22,358
2007	56,877	208,195	27.3%	157,586	157,586	25,163
2008	-	106,615	0.0%	120,258	120,258	23,444
2009	67,246	150,398	44.7%	186,407	186,407	34,466
2010	100,692	190,234	52.9%	223,173	223,173	38,080
2011	103,070	219,087	47.0%	246,546	246,546	42,888
2012	140,800	289,517	48.6%	343,211	343,211	55,830
2013	182,063	376,183	48.4%	399,775	399,775	66,175
2014	200,596	381,891	52.5%	499,454	499,454	79,084
2015	483,530	391,795	123.4%	613,938	499,454	79,084

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

* Information was not available at time of report issuance.

Fixed Route System						
Fiscal Year	Annual Passenger Miles	Annual Vehicle Revenue Hours	Operating Expense per Mile	Operating Expense per Revenue Mile	Operating Expense per UPT	Operating Expense per Passenger Mile
2006	16,270,599	171,375	\$ 6.41	\$ 6.95	\$ 3.24	\$ 1.11
2007	15,338,365	173,879	7.04	7.65	3.34	1.12
2008	14,968,263	168,745	7.60	8.23	3.51	1.18
2009	15,643,452	159,896	7.91	8.64	3.65	1.11
2010	11,974,068	157,480	8.25	8.87	4.19	1.50
2011	13,620,825	157,335	8.67	9.28	4.40	1.36
2012	10,896,126	154,772	8.89	9.52	5.53	1.71
2013	11,060,948	154,905	9.24	9.86	5.73	1.77
2014	11,695,746	156,860	9.56	10.16	6.12	1.74
2015	11,867,740	155,246	9.47	10.08	6.15	1.75

Demand Response						
Fiscal Year	Annual Passenger Miles	Annual Vehicle Revenue Hours	Operating Expense per Mile	Operating Expense per Revenue Mile	Operating Expense per UPT	Operating Expense per Passenger Mile
2006	1,157,971	85,763	\$ 3.26	\$ 3.82	\$ 15.11	\$ 3.82
2007 ^	3,274,771	140,894	3.80	4.34	26.81	2.79
2008	4,008,772	216,539	2.62	2.98	22.00	2.36
2009	5,124,417	215,509	2.68	3.34	26.23	2.26
2010	5,449,726	233,497	2.76	3.17	23.75	2.03
2011	6,202,495	226,002	3.38	3.48	29.36	2.09
2012	8,340,340	232,769	2.41	2.41	26.83	1.38
2013	5,534,320	244,964	2.84	3.08	26.34	2.32
2014	3,626,371	270,933	2.89	3.13	25.94	3.78
2015	8,801,096	272,262	2.13	2.24	28.86	1.91

Vanpool						
Fiscal Year	Annual Passenger Miles	Annual Vehicle Revenue Hours	Operating Expense per Mile	Operating Expense per Revenue Mile	Operating Expense per UPT	Operating Expense per Passenger Mile
2006	1,113,153	2,913	\$ 1.90	\$ 1.90	\$ 10.45	\$ 0.21
2007	1,166,256	3,557	1.32	1.32	8.27	0.18
2008	956,191	3,939	0.89	0.89	4.55	0.11
2009	1,296,409	4,217	0.81	0.81	4.36	0.12
2010	1,457,047	4,974	0.85	0.85	5.00	0.13
2011	1,645,638	5,633	0.89	0.89	5.11	0.13
2012	2,060,457	7,705	0.84	0.84	5.19	0.14
2013	2,611,080	8,704	0.94	0.94	5.68	0.14
2014	2,841,022	11,418	0.76	0.76	4.83	0.13
2014	2,864,484	11,418	0.64	0.78	4.95	0.14

Disclosures and Comments Required by State Minimum Standards



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Salem Area Mass District
Salem, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Salem Area Mass Transit District (the District) as of and for the year ended June 30, 2015, and have issued our report thereon dated January 20, 2016.

Compliance

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

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

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

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


Internal Control Over Financial Reporting

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

Restriction on Use

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

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

By: 
Ryan T. Pasquarella, A Shareholder
January 20, 2016

SALEM AREA MASS TRANSIT DISTRICT

Federal Compliance Report

For the year ended

June 30, 2015

Marion County, Oregon



GROVE, MUELLER & SWANK, P.C.

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

Board of Directors
Salem Area Mass Transit District
Salem, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Salem Area Mass Transit District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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


CERTIFIED PUBLIC ACCOUNTANTS
January 20, 2016



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Salem Area Mass Transit District
Salem, Oregon

Report on Compliance for Each Major Federal Program

We have audited Salem Area Mass Transit District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the District as of and for the year ended June 30, 2015, and have issued our report thereon dated January 20, 2016 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Purpose of this Report

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


CERTIFIED PUBLIC ACCOUNTANTS

January 20, 2016

**Salem Area Mass Transit District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor/Number</u>	<u>Program/ Award Amount</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<i>U S Dept of Transportation</i>					
<i>Federal Transit Cluster</i>					
<i>Direct</i>					
11 5309 Livability Keizer Transit Center	20.500	OR04-0039	2,800,000	\$ 20,415	-
FY12 5309 Paratransit Vehicles	20.500	OR04-0045	589,300	161,865	-
				<u>182,280</u>	
14 5307 PM, ADA, Operating	20.507	OR90-X173	5,847,526	3,004,623	-
15 5307 PM, ADA, Operating	20.507	OR90-X182	5,577,900	3,358,801	-
STP Bus Stops, Shelters	20.507	OR95-X015	695,380	17,707	-
STP Bus Stops, Shelters	20.507	OR95-X043	796,923	220,813	-
				<u>6,601,944</u>	
<i>Total Federal Transit Cluster</i>				<u>6,784,224</u>	
<i>Transit Services Programs Cluster</i>					
<i>Direct</i>					
13/14/15 5310	20.513	OR16-X040	670,409	180,485	-
<i>Passed through Oregon Department of Transportation</i>					
Cherrylift Purchased Service	20.513	29307	759,448	285,248	-
West Valley Hospital	20.513	29307	8,698	2,320	2,320
Catholic Community Service	20.513	29307	76,897	76,897	76,897
Silverton Health	20.513	29307	34,085	34,085	34,085
CARTS Preventative Maintenance	20.513	29307	310,134	121,867	-
Mobility Management	20.513	29307	314,320	206,495	-
CARTS Purchased Service	20.513	29307	844,970	302,202	-
Redline Purchased Service	20.513	29307	26,214	26,214	-
				<u>1,235,813</u>	
<i>Direct</i>					
JARC	20.516	OR37-X003	1,294,397	17	-
New Freedom 06-12	20.521	OR57-X004	479,971	18,013	-
<i>Total Transit Services Programs Cluster</i>				<u>1,253,843</u>	
<i>Passed through Oregon Department of Transportation</i>					
CARTS Rural FY15	20.509	29264	331,050	331,050	-

See notes to schedule of expenditures of federal awards.

**Salem Area Mass Transit District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015 (Continued)**

	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor/Number</u>	<u>Program/ Award Amount</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<i>U S Dept of Transportation (continued)</i>					
<i>Highway Planning and Construction Cluster</i>					
<i>Direct</i>					
South Salem Transit Center	20.205	OR15-X001	750,000	\$ 140,028	-
<i>Passed through Oregon Department of Transportation</i>					
Rideshare	20.205	28619	331,653	55,266	-
TDM	20.205	28619	-	24,907	-
Rideshare	20.205	29576	370,292	126,214	-
TDM	20.205	29576	191,834	82,535	-
Rideshare	20.205	30276	-	42,556	-
TDM	20.205	30276	-	40,887	-
<i>Passed through Mid-Willamette Valley Council of Governments</i>					
Transportation Planning 14/15	20.205	29997	133,726	133,726	-
<i>Total Highway Planning and Construction Cluster</i>				<u>646,119</u>	
<i>Total Expenditures of Federal Awards</i>				<u>\$ 9,015,236</u>	

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, 2015

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, 2015.

Revenue and Expenditure Recognition

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

**Salem Area Mass Transit District
 Schedule of Audit Findings and Questioned Costs
 Year Ended June 30, 2015**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

<u><i>CFDA Numbers</i></u>	<u><i>Name of Federal Program or Cluster</i></u>
20.500, 20.507	Federal Transit Cluster
20.513, 20.516, 20.521	Transit Services Program Cluster
20.509	Formula Grants for Other than Urbanized Areas

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

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

None