Salem Area Mass Transit District

Marion County, Oregon

Comprehensive Annual Financial Report

Fiscal Years Ended June 30, 2013 and 2012

SALEM AREA MASS TRANSIT DISTRICT

Comprehensive Annual Financial Report

For the years ended

June 30, 2013 and 2012

Marion County, Oregon

Prepared by the Finance Department
Jared Isaksen, Finance Manager

Salem Area Mass Transit District
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For the Years Ended June 30, 2013 and 2012

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Introductory Section

SALEM-KEIZER TRANSIT
925 Commercial Street SE, Suite 100
Salem, OR 97302-4173

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www.cherriots.org

Cherriots
SALEM-KEIZER TRANSIT

January 31, 2014

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

It is our pleasure to submit to you the Comprehensive Annual Financial Report of the Salem Area Mass Transit District for the fiscal year ended June 30, 2013. 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 3 of this report.

- Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and related notes for the District as a whole on the full accrual basis.

- Schedule of Revenue, Expenses, and Changes in Fund Balance - Budget to Actual is presented as supplementary information.

Grove, Mueller & Swank, P.C., a firm of licensed certified public accountants, audited the District's financial statements. The goal of this independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2013, 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, 2013, are fairly presented in all material respects in conformity with GAAP. The independent auditor's report is presented in the Financial Section of this report beginning on page 1.

In addition to meeting the requirements set forth above, the independent audit was also designed to meet the special needs of federal grantor agencies as provided for in the Federal Single Audit Act and the Office of Management and Budget's (OMB) Circular A-133. These standards require the independent government's internal controls to be established and maintained effectively and the District to be in compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. The results of the independent audit for the fiscal year ended June 30, 2013 indicated no significant violations of applicable laws and regulations, however it did indicate an instance of a significant deficiency in the internal control structure, which has been corrected by the District. The independent auditor's reports, related specifically to the Single Audit and OMB Circular A-133, are contained in a separate report.

District Overview

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

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

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

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

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

Local Economy

The District is located within the Salem Metropolitan Statistical Area (MSA). The Salem MSA, as defined by the United States Census Bureau, is an area consisting of two counties in western Oregon, Marion and Polk. The principal city is Salem, which has a population of 157,429. As of 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 November 2013 was 7.9 percent, 1.1 percentage points lower than the November 2012 rate. The recovery from the recession has been slow. Salem’s economy lost nearly 12,000 jobs during the last recession, 8 percent of total jobs, from 2007 to the trough of the recession in November of 2011. The economy has added back one-third of those jobs. As a comparison, the Portland area has gained back 85 percent of the jobs lost in that area during the recession. The Oregon Office of Economic Analysis forecasts a continued slow economic recovery, and although the fundamentals underlying economic growth remain strong, uncertainty continues to weigh on both business and households.

Fixed Route Transportation

Over 10 million passenger miles are traveled annually, with total ridership of 3,413,873 for fiscal year 2012-13. This total ridership represents an increase of 1.5 percent from the fiscal year 2011-12. This increase is minor when compared to the 20 percent decrease experienced by the District during the fiscal year 2011-12. For fiscal year 2012-13 the operating costs, on a budgetary basis, per revenue mile for the fixed route service amounted to $9.97 compared to a cost of $9.58 for fiscal year 2011-12 or (a 4.1 percent increase), while the average cost per ride increased from $5.56 in fiscal year 2011-12 to $5.79 for fiscal year 2012-13 (a 4.1 percent increase). The increase in the cost per ride is mainly due to the increased maintenance cost associated with parts, as well as increased medical and salary expenses.

Alternative Transportation

Ridership in the para-transit, non-emergency medical transportation, dial-a-ride, and shopper shuttle programs increased during fiscal year 2012-13. The total rides provided in fiscal year 2012-13 was 488,466 compared to 429,685 rides provided in fiscal year 2011-12. The average cost of providing demand response rides in fiscal year 2012-13 was $25.66 compared with $27.27 for fiscal year 2011-12.

This decrease in cost per ride is due to an increase in the number of rides provided, especially in rides that are grouped during a trip.

A small portion of the cost of providing these alternative transportation services is covered with fare revenue, 3.7 percent for the fiscal year 2012-13 compared with 4.3 percent for fiscal year 2011-12. Funding from federal and state sources provided 96.3 percent of fiscal year 2012-13 program operating costs, and 95.7 percent of fiscal year 2011-12 program operating costs. Grant funding reduced the net program costs to the District to less than $878,000 in fiscal year 2012-13.

Major Initiatives

During the fiscal year the District completed the Keizer Transit Center (Center), the first of four regional transit centers that the District plans to build. The Center was fully funded through federal and state grants for a total project cost of $7.5 million. The Center includes a 3,000 square foot building, 52 park and ride spaces, 12 covered bike parking spaces, and 5 electric car recharging stations. The Center's sustainable design includes more than 1,600 square feet of green roof, solar panels that generate electricity for the Center and feed the power grid, a ground source heat pump for efficiently heating and cooling the building, and rain gardens that capture and filter 100 percent of storm water.

In addition to the Keizer Transit Center, the District, in conjunction with Marion County, has also begun the remediation process of the Courthouse Square building and transit mall. The project had an initial cost of $22.9 million; the District's portion being $6.8 million. As of the date of this report the cost, through change orders and additional remediation costs, has increased to $26.5 million; the District's portion being $7.9 million. As of June 30, 2013, project costs were at $11.5 million, or approximately 43.4 percent of the total project cost. The completion date for the remediation project is anticipated for April 2014.

Future

Our vision is to make a positive difference by enhancing community livability through innovative, sustainable regional transportation options. In the next three years, work towards this vision will be focused on strengthening our core services. The long-term strategies include improving the experience of public transportation, expanding access to new areas and new customers, and seeking additional funding for responsible growth.

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

Major capital improvements anticipated in the upcoming fiscal year include completion of the remediation of the Courthouse Square facility and transit mall, improvement to the stops and shelters within the fixed route system, and to begin the site selection for the South Salem transit center.

Long-term Financial Planning

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

Acknowledgements

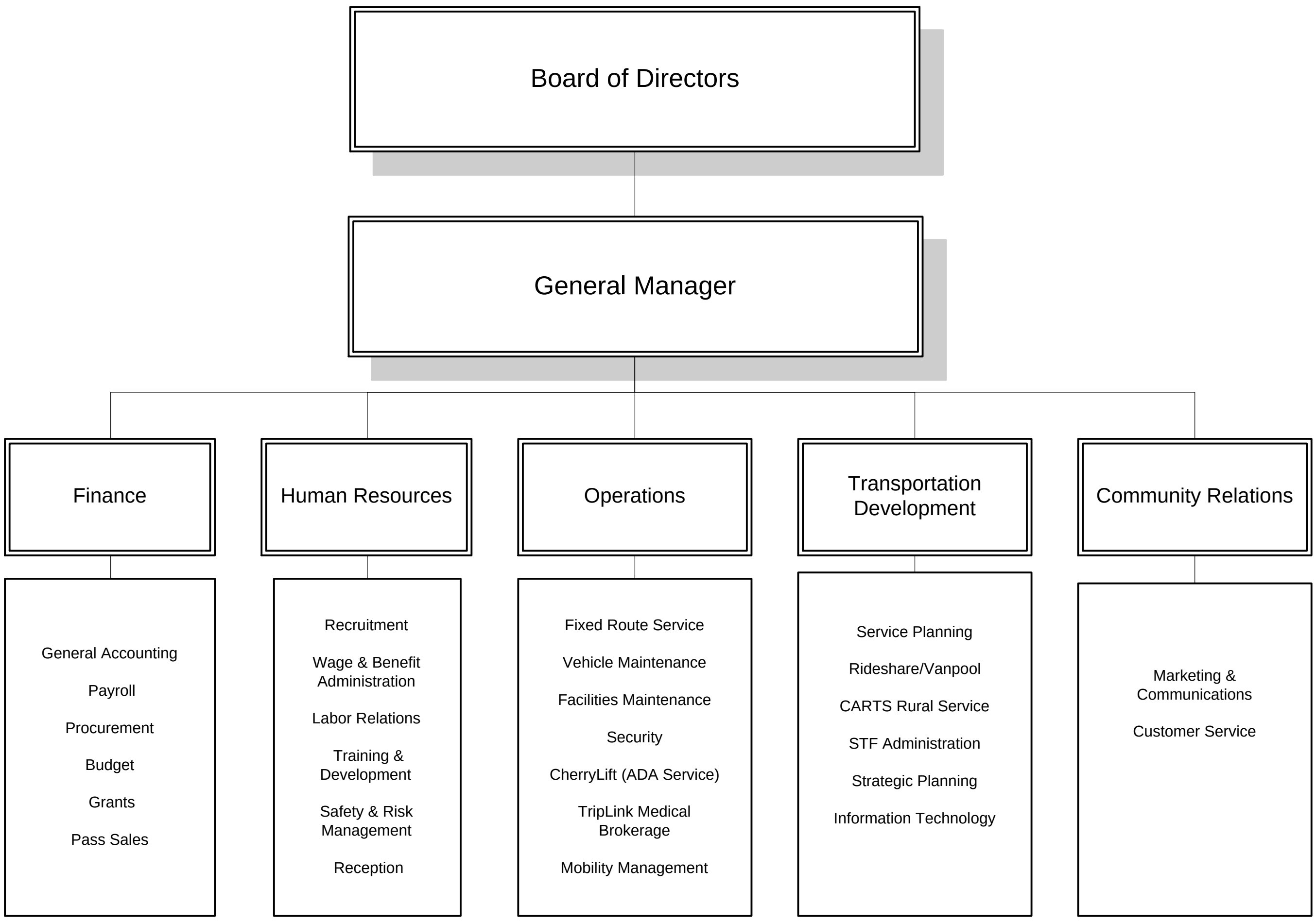
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the first year that the 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 Comprehensive Annual Financial Report was made possible by the efforts of the entire staff of the Finance Department. The Finance Department appreciates and thanks the staff who assisted and contributed to the report's presentation. They also thank the members of the Board of Directors and the General Manager for their interest and support in managing the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,

Allan Pollock	Jared Isaksen
General Manager	Finance Manager

SALEM AREA MASS TRANSIT DISTRICT
DISTRICT-WIDE ORGANIZATIONAL CHART



Salem Area Mass Transit District
BOARD OF DIRECTORS

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

General Manager
Allan Pollock

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, 2012

Jeffrey R. Emer

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 District, as of and for the years ended June 30, 2013 and 2012, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2013 and 2012, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 6 and the schedule of funding progress – defined benefit plans on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information and introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, this 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.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 31, 2014, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By: Devan W. Esch

Devan W. Esch, A Shareholder
January 31, 2014

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

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

Overview of the Financial Statements

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

Financial Highlights

The District's total assets increased in fiscal year (FY) 2013 from $51.8 million to $58.5 million, due to an increase in receivables and capital assets. The District's total assets increased in FY 2012 from $50.7 million to $51.8 million, due to an increase in cash and receivables.

The District's total liabilities decreased in FY 2013 by $1.4 million, due mostly to a decrease in the payroll payable. The District's total liabilities increased in FY 2012 by $2.9 million, due mostly to an increase in the payroll payable.

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

In FY 2012, the District's total net position decreased by $1.8 million, due mainly to the impairment of Courthouse Square; the net invested in capital assets decreased by approximately $4.85 million, or 14.7 percent; the restricted net position increased by $479,571; and the unrestricted net position increased by $2.4 million.

In FY 2013, operating revenue increased more than $590,000 from $5.9 million to $6.5 million, or 9.9 percent, from the prior year. This increase was due to the District taking on a greater number of Medicaid funded passengers riding on CherryLift. Non-operating revenues, including capital contributions, increased approximately $2.6 million from the prior year. This increase is due to an increase in capital contributions from federal and state grants. Operating expenses increased more than $1.0 million from the prior year. The majority of the increase is from the additional Medicaid funded passengers.

In FY 2012, operating revenue increased $1.9 million from $4.0 million to $5.9 million, or 48.6 percent, from the prior year. This increase was due to the District taking on a greater number of Medicaid funded passengers riding on CherryLift. Non-operating revenues, including capital contributions, decreased approximately $4.2 million from the prior year. This decrease is due to a reduction in capital contributions from federal and state grants. Operating expenses increased $2.6 million from the prior year. The majority of the increase is from the additional Medicaid funded passengers.

In FY 2013, the District recognized an extraordinary gain approximating $3.8 million on litigation settlements for the building and transit mall at Courthouse Square. In FY 2012 the District recognized an extraordinary loss approximating $4 million on impairment of the building and transit mall at Courthouse Square.

The District's major transfers were from the general fund to the capital project fund for $1.0 million and $2.4 million and to the special transportation fund for $870,000 and $1.6 million for the fiscal years ended June 30, 2013 and 2012 respectively.

	June 30,		
	2013	*2012*	*2011*
Assets			
Current and restricted assets	$ 24,153,129	$ 23,652,119	$ 17,728,733
Capital assets, net of depreciation	34,371,636	28,156,242	33,014,713
Total assets	58,524,765	51,808,361	50,743,446
Liabilities			
Current liabilities	6,078,400	7,938,659	5,355,014
Noncurrent liabilities	1,904,030	1,523,030	1,153,604
Total liabilities	7,982,430	9,461,689	6,508,618
Net position			
Net investment in capital assets	34,371,636	28,156,242	33,014,713
Restricted for special transportation	975,514	142,488	657,734
Restricted for capital projects	3,952,823	2,036,447	1,041,630
Unrestricted	11,242,362	12,011,495	9,520,751
Total net position	$ 50,542,335	$ 42,346,672	$ 44,234,828

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.

	Year Ended June 30, 2013	2012	2011
Operating revenues	$ 6,574,775	$ 5,984,001	$ 4,028,335
Non-operating revenues	27,854,404	28,266,540	27,598,624
Total revenue	34,429,179	34,250,541	31,626,959
Operating expenses	(35,595,418)	(34,542,966)	(31,851,558)
Non-operating expenses	-	(21,817)	-
Total expense	(35,595,418)	(34,564,783)	(31,851,558)
Extraordinary gain/(loss)	3,842,554	(4,033,628)	-
Capital contributions	5,519,348	2,459,714	7,310,358
Changes in net position	8,195,663	(1,888,156)	7,085,759
Beginning net position	42,346,672	44,234,828	37,149,069
Ending net position	$ 50,542,335	$ 42,346,672	$ 44,234,828

The District's total revenue increased more than $178,000, or 0.5 percent, during FY 2013. The District's total revenue increased $2.6 million, or 8.3 percent, during FY 2012.

Capital Assets

The District's investment in capital assets amounts to $34.3 million and $28.1 million net of accumulated depreciation as of June 30, 2013 and 2012 respectively. This investment in capital assets includes land, construction in progress, buildings, land improvements, revenue rolling stock, and equipment. The total increase in the District's investment in capital assets for FY 2013 was 22.0 percent. The total decrease in the District's investment in capital assets for FY 2012 was 14.7 percent.

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

Major capital projects during FY 2012 included the Rickreall Park and Ride, and the Keizer Transit Center. Construction in progress at the end of the year was approximately $1.1 million for Keizer Transit Center and $560,000 for various other projects.

	June 30, 2013	2012	2011	Increase/(decrease) 2013 - 2012	2012 - 2011
Land	$ 2,050,691	$ 2,050,691	$ 2,050,691	$ -	$ -
Construction in progress	4,308,914	1,670,053	1,014,271	2,638,861	655,782
Buildings	11,520,160	9,862,314	13,965,316	1,657,846	(4,103,002)
Land improvements	3,573,889	-	-	3,573,889	-
Revenue rolling stock	11,777,007	13,433,329	15,484,413	(1,656,322)	(2,051,084)
Equipment	1,140,975	1,139,855	500,022	1,120	639,833
	$ 34,371,636	$ 28,156,242	$ 33,014,713	$ 6,215,394	$ (4,858,471)

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

Request for Information

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

Salem Area Mass Transit District
925 Commercial St., SE Suite 100
Salem, Oregon 97302-4173

NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

Basic Financial Statements

Salem Area Mass Transit District
Statements of Net Position
June 30, 2013 and 2012

	2013	2012
Assets		
Current assets		
Unrestricted cash and cash equivalents	$ 4,746,675	$ 7,582,098
Accounts receivable	244,997	249,323
Property taxes receivable	748,769	775,472
Prepaid expenses	211,829	315,488
Inventories	623,943	755,254
Restricted cash and cash equivalents	3,466,603	4,001,067
Federal grants receivable	12,872,886	6,235,002
State grants receivable	1,237,427	3,738,415
Total current assets	24,153,129	23,652,119
Capital assets		
Land	2,050,691	2,050,691
Land Improvements (net of depreciation)	3,573,889	-
Buildings and improvements (net of depreciation)	11,520,160	9,862,314
Buses and equipment (net of depreciation)	12,917,982	14,573,184
Construction in progress	4,308,914	1,670,053
Total capital assets	34,371,636	28,156,242
Total assets	$ 58,524,765	$ 51,808,361
Liabilities		
Current liabilities		
Accounts payable	$ 339,568	$ 533,085
Accounts payable from restricted assets	1,844,427	2,148,731
Payroll, withholdings and payroll taxes	2,590,836	3,941,359
Construction retainage	198,219	-
Due to other governments from restricted assets	19,879	20,466
Accrued vacation and sick leave	1,085,471	1,055,018
Unearned revenue	-	240,000
Total current liabilities	6,078,400	7,938,659
Noncurrent liabilities		
Net OPEB obligation	1,904,030	1,523,030
Total liabilities	7,982,430	9,461,689
Net position		
Net investment in capital assets	34,371,636	28,156,242
Restricted for capital projects	3,952,823	2,036,447
Restricted for special transportation	975,514	142,488
Unrestricted	11,242,362	12,011,495
Total net position	50,542,335	42,346,672
Total liabilities and net position	$ 58,524,765	$ 51,808,361

Salem Area Mass Transit District
Statements of Revenues, Expenses and Changes In Net Position
For the Fiscal Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenues		
Passenger fares	$ 2,793,604	$ 2,916,951
Accessible services and Medicaid	3,127,234	2,472,645
Other revenues	653,937	594,405
Total operating revenues	6,574,775	5,984,001
Operating expenses		
Personal services	16,130,831	15,715,505
Materials and services	12,290,117	11,520,321
Accessible services and special transportation	3,909,888	3,381,272
Depreciation	2,883,582	3,556,442
OPEB Expense	381,000	369,426
Total operating expenses	35,595,418	34,542,966
Operating loss	(29,020,643)	(28,558,965)
Non-operating revenues (expenses)		
Property taxes	9,984,733	9,733,903
State assistance	5,251,979	7,459,771
Federal assistance	12,538,020	11,014,530
Earnings on investments	65,672	58,336
(Loss) gain on disposal of capital assets	14,000	(21,817)
Total non-operating revenues (expenses)	27,854,404	28,244,723
Change in net position before extraordinary items and capital contributions	(1,166,239)	(314,242)
Extraordinary items		
Loss on capital asset impairment	-	(4,033,628)
Litigation settlement	3,842,554	-
Total extraordinary items	3,842,554	(4,033,628)
Capital contributions		
Federal and state grants for capital acquisition	5,519,348	2,459,714
Changes in net position	8,195,663	(1,888,156)
Total net position - beginning of year	42,346,672	44,234,828
Total net position - end of year	$ 50,542,335	$ 42,346,672

The accompanying notes are an integral part of the financial statements.

Salem Area Mass Transit District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Cash received from customers	$ 6,339,101	$ 6,062,275
Payments to employees for services	(17,450,901)	(13,780,434)
Cash paid to suppliers for good and services	(16,462,856)	(14,081,524)
Net cash used for operating activities	(27,574,656)	(21,799,683)
Cash flows from noncapital financing activities		
Receipts from property taxes	10,011,436	9,755,569
Receipts from state assistance	7,752,380	6,003,787
Receipts from federal assistance	6,766,838	11,546,957
Net cash provided by noncapital financing activities	24,530,654	27,306,313
Cash flows from capital and related financing activities		
Receipts from capital grants	4,652,646	2,877,663
Receipts from litigation/insurance recoveries	3,842,554	-
Acquisition and construction of capital assets	(8,900,757)	(2,753,416)
Sale of capital assets	14,000	-
Net cash used (provided) for capital and related financing activities	(391,557)	124,247
Cash flows from investing activities		
Interest received	65,672	58,336
Net change in cash and cash equivalents	(3,369,887)	5,689,213
Cash and cash equivalents, July 1	11,583,165	5,893,952
Cash and cash equivalents, June 30	$ 8,213,278	$ 11,583,165
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	$ (29,020,643)	$ (28,558,965)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	2,883,582	3,556,442
OPEB expense	381,000	369,426
(Increase) decrease in accounts receivable	4,326	302,342
(Increase) decrease in prepaid expenses	103,659	(17,863)
(Increase) decrease in inventories	131,311	(14,244)
Increase (decrease) in accounts payable	(193,517)	96,105
Increase (decrease) in accounts payable from restricted assets	(304,304)	756,071
Increase (decrease) in payroll, withholdings and payroll taxes	(1,350,523)	1,895,524
Increase (decrease) in accrued vacation and sick leave	30,453	39,547
Increase (decrease) in unearned revenue	(240,000)	(224,068)
Net cash used for operating activities	$ (27,574,656)	$ (21,799,683)

The accompanying notes are an integral part of the financial statements.

(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.

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

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

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

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

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

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

F. Inventories

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

G. Prepaid Expenses

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

H. Capital Assets

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

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

Asset	Years
Buildings, Shelters, Stations	10 – 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.

J. Retirement Plans

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

K. Use of Estimates

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

L. Net Position

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

Net 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.

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

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

M. New Pronouncements

During FY 2012-13, the District implemented the following GASB pronouncements:

- GASB Statement No. 61, "The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No 14 and No 34." This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation), and certain disclosure requirements. The District has determined that there is no significant impact on the District's financial statements.

- GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement codifies into GASB accounting and financial reporting standards the "legacy" standards from the private sector. The objective of this statement is to improve financial reporting by codifying all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. It eliminates the need for financial statement preparers and auditors to determine which Financial Accounting Standards Board (FASB) and American Institute of CPAs (AICPA) pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. Although the District previously elected not to follow subsequent private-sector guidelines, there was no impact on the financial statements in the current year as a result of the application of this statement.

- GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This statement establishes accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that may have been previously reported as assets and liabilities. The District has modified financial statement terminology to be consistent with the requirements of this statement.

- GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement specifies the items that were previously reported as assets and liabilities should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. While a conceptual understanding of the definition of deferred outflows of resources might lead to the reclassification of pension contribution in excess of annual required contribution as such, the modification of GASB Statement No. 27, and the creation of this amount as an asset are not specifically listed as modified in GASB Statement No. 65. As such the pension contribution in excess of annual required contribution remains classified as an asset for financial statement presentation. The District has determined that there is no significant impact of GASB Statement No. 65 on the District's financial statements.

(2) Stewardship, Compliance, and Accountability

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

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

General Fund

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

Capital Improvement Fund

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

Special Transportation Fund

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

Facility Maintenance Fund

This fund was established to accumulate resources for significant facility improvements. The fund's principal revenue source is transfers from the General Fund.

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

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

The Board of Directors, by resolution, may amend the budget as originally adopted. Two amendments totaling approximately $1.2 million were made to the budget during the year ended June 30, 2013.

The Special Transportation fund had over-expenditures for Materials and Services in the amount of $579,215.

(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, 2013 and 2012 the carrying value of cash and investments and fair value are approximately equal. At June 30, 2013 and 2012, cash and investments included in cash and cash equivalents consisted of:

	2013	2012
Cash		
Cash on hand	$ 25,342	$ 13,458
Deposits with financial institutions	382,154	675,410
Cash held by Marion Co. for Courthouse Square remediation	950,331	-
Investments		
Local government investment pool	6,855,451	10,894,297
Total cash and investments	$ 8,213,278	$ 11,583,165

	2013	2012
Unrestricted cash and investments	$ 4,746,675	$ 7,582,098
Restricted cash and investments	3,466,603	4,001,067
Total cash and investments	$ 8,213,278	$ 11,583,165

A. Deposits

As of June 30, 2013 and 2012, the book balance of the District's bank deposits (checking accounts) was $382,154 and $675,410 and the bank balance was $1,266,115 and $895,953 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, 2013, 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 established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations.

At June 30, 2013 and 2012, 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.

(4) Restricted Assets

Restricted assets are restricted for capital outlay and special transportation.

	Total Restricted Assets	Less Current Liabilities Payable	Net Restricted Assets (Liabilities)
2013			
Restricted for capital			
Cash and investments	$ 3,437,708	$ (707,545)	$ 2,730,163
Federal grants receivable	1,221,377	-	1,221,377
State grants receivable	1,283	-	1,283
Total restricted for operating capital	4,660,368	(707,545)	3,952,823
Restricted for special transportation			
Cash and investments	28,895	(1,137,873)	(1,108,978)
Federal grants receivable	2,068,182	-	2,068,182
State grants receivable	16,310	-	16,310
Total restricted for special transportation	2,113,387	(1,137,873)	975,514
	$ 6,773,755	$ (1,845,418)	$ 4,928,337
2012			
Restricted for capital			
Cash and investments	$ 2,071,807	$ (332,773)	$ 1,739,034
Federal grants receivable	297,413	-	297,413
Total restricted for operating capital	2,369,220	(332,773)	2,036,447
Restricted for special transportation			
Cash and investments	1,929,260	(1,836,424)	92,836
State grants receivable	49,652	-	49,652
Total restricted for special transportation	1,978,912	(1,836,424)	142,488
	$ 4,348,132	$ (2,169,197)	$ 2,178,935

(5) Capital Assets

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

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

The changes in capital assets for the year ended June 30, 2012 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	1,014,271	662,850	-	(7,068)	1,670,053
Total capital assets, non-depreciable	3,064,962	662,850	-	(7,068)	3,720,744
Capital assets, depreciable:					
Buildings	19,209,544	299,405	(70,148)	(4,988,971)	14,449,830
Revenue rolling stock	28,021,403	1,569,823	(919,850)	(178,148)	28,493,228
Equipment	3,969,159	221,338	-	733,262	4,923,759
Total capital assets, depreciable	51,200,106	2,090,566	(989,998)	(4,433,857)	47,866,817
Less accumulated depreciation:					
Buildings	(5,244,228)	(362,000)	70,148	948,564	(4,587,516)
Revenue rolling stock	(12,536,990)	(2,901,777)	898,033	(519,165)	(15,059,899)
Equipment	(3,469,137)	(292,665)	-	(22,102)	(3,783,904)
Total accumulated depreciation	(21,250,355)	(3,556,442)	968,181	407,297	(23,431,319)
Net depreciable capital assets	29,949,751	(1,465,876)	(21,817)	(4,026,560)	24,435,498
Net capital assets	$ 33,014,713	$ (803,026)	$ (21,817)	$ (4,033,628)	$ 28,156,242

The federal government retains a reversionary interest in property and equipment to the extent of capital grants provided for their purchase. Upon disposal of property and equipment, a prorated share of proceeds, if any, is returned to the federal governments.

(6) Employee Retirement Plans

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

A. Defined Benefit Plans

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

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

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

		Annual Benefit Cost	Percent Contributed	Net Benefit Obligation
Bargaining				
	2013	$ 1,314,866	0%	$ 1,314,866
	2012	1,352,215	100%	-
	2011	1,172,427	100%	-
Non-bargaining				
	2013	$ 488,735	0%	$ 488,735
	2012	545,000	60%	215,714
	2011	391,913	100%	-

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

Salem Area Mass Transit District Non-Bargaining Unit Retirement Plan (Defined Contribution Plan) as of termination of employment.

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

B. Defined Contribution Plan

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

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

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

The contribution rate is 10 percent of employee's gross salary for non-bargaining unit employees. Covered payroll, total payroll and required contributions for 2013, 2012, and 2011 were:

	Covered Payroll	*Total Payroll*	*Required Contributions*
2013	$ 3,526,503	$ 9,761,218	$ 352,650
2012	3,515,915	9,610,951	351,592
2011	3,306,431	9,432,381	330,643

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

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

B. Funding Policy

The District collects insurance premiums, net of applied explicit benefits, from all retirees each month. The District then pays health insurance premiums for all retirees at the blended rate for each family classification. The required contribution to the plan included the employer's pay-as-you-go amount, an amount paid by retirees and an additional amount calculated to prefund future benefits as determined by the actuary. The District has elected to not pre-fund the actuarially determined future cost. The amount paid by the District for retiree's, and eligible retiree spouses, healthcare for the years ended June 30, 2013 and 2012 was $62,766 and $57,441 respectively.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the guidelines of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. As of the date of this report the actuarial valuation for June 30, 2013 had not been completed.

The District estimated the increase in net OPEB obligation for the year ended June 30, 2013 to be $381,000. The following table shows the components of the District's annual OPEB cost for the fiscal year ending June 30, 2013, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	2013*	***2012***	***2011***
Annual required contribution	$ 601,000	$ 572,743	$ 657,640
Interest earned on net OPEB obligation	40,000	40,376	-
Adjustment to the annual required contribution	(50,000)	(82,326)	-
Annual OPEB cost	591,000	530,793	657,640
Estimated benefit payments	210,000	161,367	317,902
Increase in Net OPEB obligation	381,000	369,426	339,738
Beginning net OPEB obligation	1,523,030	1,153,604	813,866
Ending net OPEB obligation	$ 1,904,030	$ 1,523,030	$ 1,153,604

*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, 2013, 2012, and 2011 was 30 percent, 30 percent, and 48 percent, respectively.

D. Funding Status

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and the new estimates are made about the future. As of the date of this report the actuarial valuation for June 30, 2013 had not been completed. The funded status of the plan at June 30, 2012, based on the July 1, 2011 actuarial valuation is as follows:

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

E. Actuarial Methods and Assumptions

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

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

(8) Interfund Transfers

Interfund transfers for the year ended June 30, 2013 consisted of the following:

Transfers to:	***Transfers from:***			
	General	***Special Transportation***	***Facilities Maintenance***	***Total***
General	$ -	$ 8,350	$ -	$ 8,350
Capital Projects	1,080,500	25,097	198,826	1,304,423
Special Transportation	877,648	-	-	877,648
	$ 1,958,148	$ 33,447	$ 198,826	$ 2,190,421

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

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The

District purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

(10) Reclassification

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

(11) Commitments and Contingencies

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

As of June 30, 2013, the District also had commitments of approximately $330,942, for architectural work related to the South Salem Transit Center and approximately $4,289,372 for remediation of the Courthouse Square facility.

The District has long-term agreements to lease space for storage and various offices. Rent for these facilities for fiscal year ended June 30, 2013 and 2012 was $288,514 and $223,424, respectively. Future obligations under these agreements are as follows:

Fiscal Year	Amount
2014	$ 125,444

(12) Courthouse Square – Extraordinary Item

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

The District has recovered $3,842,554 in litigation settlements associated with Courthouse Square. The District is using these funds to partially fund the remediation project.

(13) Subsequent Events

Management has evaluated subsequent events through January 31, 2014 and is not aware of any other subsequent events that require recognition or disclosure in the financial statements.

(14) New Pronouncements

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

GASB Statement No. 66, "Technical Corrections – 2012–An Amendment of GASB Statement 10 and No. 62." The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012.

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

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

GASB Statement No. 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.

Required Supplementary Information

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

Defined Benefit Pension Plan - Non-Bargaining

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

Defined Benefit Pension Plan - Bargaining

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

As of the date of this report the actuarial valuation for June 30, 2013 had not been completed.

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
- Facility Maintenance Fund

Salem Area Mass Transit District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual On A Non-GAAP Budgetary Basis - General Fund
For the Fiscal Year Ended June 30, 2013

	Budget			
	Original	Final	Actual	Variance
Revenues				
Local revenue				
Passenger fares, passes & other fixed route services	$ 2,600,000	$ 2,600,000	$ 2,646,250	$ 46,250
Property taxes	9,669,899	9,669,899	10,011,436	341,537
Advertising & other promotions	240,000	240,000	240,000	-
Earnings on investments	40,000	40,000	62,442	22,442
Miscellaneous	45,000	45,000	140,981	95,981
Total local revenue	12,594,899	12,594,899	13,101,109	506,210
State revenue				
Energy tax credits	-	-	277,375	277,375
State in lieu taxes	4,500,000	4,500,000	4,486,900	(13,100)
Total state revenue	4,500,000	4,500,000	4,764,275	264,275
Federal revenue				
FTA Urbanized Area Formula Program (5307)	4,266,111	4,266,111	4,157,836	(108,275)
FTA Metropolitan & Statewide Planning (5303)	99,725	99,725	98,930	(795)
FTA Job Access / Reverse Commute Programs (Section 3037)	685,241	685,241	250,626	(434,615)
New Freedom Program (5317)	-	-	3,278	3,278
Oregon Health Authority - Medical Assistance Programs (DMAP)	65,000	65,000	63,710	(1,290)
Rideshare/vanpool	261,146	261,146	240,698	(20,448)
Total federal revenue	5,377,223	5,377,223	4,815,078	(562,145)
Total revenues	22,472,122	22,472,122	22,680,462	208,340
Expenditures				
Personal services	15,760,065	15,160,065	15,144,761	15,304
Materials and services	4,999,485	5,224,485	4,603,832	620,653
Capital outlay	11,953	11,953	9,304	2,649
Contingency	1,750,000	1,525,000	-	1,525,000
Total expenditures	22,521,503	21,921,503	19,757,897	2,163,606
Excess (deficiency) of revenues over expenditures	550,619	550,619	2,922,565	2,371,946
Other financing sources (uses)				
Transfers in from other funds	86,467	11,467	8,350	(3,117)
Transfer out to other funds	(1,492,966)	(2,092,966)	(1,958,148)	134,818
Net change in fund balance	(855,880)	(1,530,880)	972,767	2,503,647
Fund balance, beginning of year	3,000,000	11,574,713	11,574,713	-
Fund balance, end of year	$ 2,144,120	$ 10,043,833	$ 12,547,480	$ 2,503,647

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, 2013

	Budget			
Revenues	Original	Final	Actual	Variance
State Revenue				
Connect Oregon	$ 3,554,000	$ 3,554,000	$ 247,222	$ (3,306,778)
State discretionary grants	-	-	1,283	1,283
Energy tax credits	900,000	900,000	-	(900,000)
Total state revenue	4,454,000	4,454,000	248,505	(4,205,495)
Federal revenue				
Urbanized Area Formula (Section 5307)	2,353,458	2,353,458	501,647	(1,851,811)
Transportation for Elderly Persons and Persons with Disabilities (5310)	569,641	569,641	429,460	(140,181)
Formula Grants for Other than Urbanized Areas (5311)	29,611	29,611	-	(29,611)
New Freedom Program (5317)	273,183	273,183	18,395	(254,788)
Discretionary grants - Section (5309)	5,435,659	5,435,659	1,927,153	(3,508,506)
American Recovery and Reinvestment Act (ARRA)	2,502,694	2,502,694	2,394,186	(108,508)
FTA Job Access / Reverse Commute Programs (Section 3037)	18,920	18,920	-	(18,920)
Federal Flex Funds	1,900,000	1,900,000	-	(1,900,000)
Total federal revenue	13,083,166	13,083,166	5,270,841	(7,812,325)
Other revenue				
Litigation settlement	596,517	596,517	3,842,554	3,246,037
Earnings on investments	-	-	3,231	3,231
Total other revenue	596,517	596,517	3,845,785	3,249,268
Total revenues	18,133,683	18,133,683	9,365,131	(8,768,552)
Expenditures				
Capital Projects Administration				
Personal services	97,795	197,795	171,308	26,487
Materials and services	231,906	231,906	146,234	85,672
Capital outlay				
CARTS vehicles and related equipment	148,016	148,016	146,594	1,422
CherryLift vehicles and related equipment	1,207,000	1,207,000	345,058	861,942
Computer hardware and software	97,878	97,878	59,543	38,335
Courthouse Square remediation	3,932,379	3,932,379	3,423,429	508,950
Facilities	520,803	520,803	50,344	470,459
Keizer Transit Center	6,638,257	6,538,257	4,507,422	2,030,835
South Salem Transit Center	450,000	450,000	133,651	316,349
Shop equipment	95,772	95,772	8,207	87,565
Passenger boarding improvements	577,460	577,460	-	577,460
Support vehicles	155,000	155,000	144,381	10,619
Total capital outlay*	13,822,565	13,722,565	8,818,629	4,903,936
Total expenditures	14,152,266	14,152,266	9,136,171	5,016,095
Excess (deficiency) of revenues over expenditures	3,981,417	3,981,417	228,960	(13,784,647)
Other financing sources (uses)				
Transfer from General Fund	682,708	1,282,708	1,080,500	(202,208)
Transfer from other funds	198,825	198,825	223,923	25,098
Transfer out to other funds	-	-	-	-
Total other financing sources (uses)	881,533	1,481,533	1,304,423	(177,110)
Net change in fund balance	4,862,950	5,462,950	1,533,383	(3,929,567)
Fund balance, beginning of year	1,000,000	1,000,000	2,203,389	1,203,389
Fund balance, end of year	$ 5,862,950	$ 6,462,950	$ 3,736,772	$ (2,726,178)

*The budget was approved for capital outlay in total.

Salem Area Mass Transit District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual on a Non-GAAP Budget Basis - Special Transportation Fund
For the Fiscal Year Ended June 30, 2013

	Budget Original	Budget Final	Actual	Variance
Revenues				
Local revenue				
Passenger Fares	$ 365,200	$ 365,200	$ 434,312	$ 69,112
State revenue				
Special Transportation Fund Program (ODOT)	462,185	462,185	627,553	165,368
Special Transportation Fund Discretionary Grant Program	66,119	66,119	99,576	33,457
Total state revenue	528,304	528,304	727,129	198,825
Federal revenue				
Oregon Health Plan - Medical Assistance Programs (DMAP)	5,672,598	5,672,598	5,858,972	186,374
New Freedom Program (5317)	5,600	5,600	2,453	(3,147)
Developmental Disabilities Transportation Services (DD53)	2,500,000	2,500,000	2,824,099	324,099
FTA Job Access / Reverse Commute Programs (Section 3037)	78,174	78,174	-	(78,174)
Transportation for Elderly Persons and Persons with Disabilities (5310)	1,086,793	1,086,793	1,012,141	(74,652)
Formula Grants for Other than Urbanized Areas (5311)	353,450	353,450	215,808	(137,642)
Urbanized Area Formula (Section 5307)	506,054	506,054	697,278	191,224
Total federal revenue	10,202,669	10,202,669	10,610,751	408,082
Total revenues	11,096,173	11,096,173	11,772,192	676,019
Expenditures				
Personal services	953,197	953,197	814,763	138,434
Materials and services	10,866,767	11,134,267	11,713,482	(579,215)
Capital outlay	-	7,500	7,500	-
Total expenditures	11,819,964	12,094,964	12,535,745	(440,781)
Excess (deficiency) of revenues over expenditures	(723,791)	(998,791)	(763,553)	1,116,800
Other financing sources (uses)				
Transfer from General Fund	810,258	810,258	877,648	67,390
Transfer from other funds	244,518	44,518	-	(44,518)
Transfer out to other funds	(330,985)	(55,985)	(33,447)	22,538
Total other financing sources (uses)	723,791	798,791	844,201	45,410
Net change in fund balance	-	(200,000)	80,648	280,648
Fund balance, beginning of year	-	-	961,057	961,057
Fund balance, end of year	$ -	$ (200,000)	$ 1,041,705	$ 1,241,705

Salem Area Mass Transit District

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual on a Non-GAAP Budget Basis - Facility Maintenance Fund

For the Fiscal Year Ended June 30, 2013

	Budget			
	Original	Final	Actual	Variance
Revenues	$ -	$ -	$ -	$ -
Expenditures	-	-	-	-
Other financing sources (uses)				
Transfer out to other funds	(198,825)	(198,825)	(198,826)	(1)
Net change in fund balance	(198,825)	(198,825)	(198,826)	(1)
Fund balance, beginning of year	198,825	198,825	198,826	1
Fund balance, end of year	$ -	$ -	$ -	$ -

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, 2013

Net Change in Fund Balance:	
General fund	$ 972,767
Capital improvement fund	1,533,383
Special transportation fund	80,648
Facility maintenance fund	(198,826)
Total change in fund balance	2,387,972
GAAP basis adjustments:	
Capitalized capital assets	9,098,976
Depreciation expense	(2,883,582)
Property taxes accrual	(26,703)
OPEB liability adjustment	(381,000)
Change in net position	$ 8,195,663

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, 2013

	CherryLift	CARTS	DMAP	REDLine
Revenues				
Local revenue				
Passenger Fares	$ 211,292	$ 216,228	$ -	$ 6,792
State revenue				
Special Transportation Fund Program (ODOT)	303,135	188,835	-	306
Special Transportation Fund Discretionary Grant Program	-	94,924	-	-
Total state revenue	303,135	283,759	-	306
Federal revenue				
Oregon Health Plan - Medical Assistance Programs (DMAP)	-	-	5,858,972	-
New Freedom Program (5317)	2,453	-	-	-
Developmental Disabilities Transportation Services (DD53)	2,824,099	-	-	-
Transportation for Elderly Persons and Persons with Disabilities (5310)	121,619	531,253	-	166,805
Formula Grants for Other than Urbanized Areas (5311)	-	215,808	-	-
Urbanized Area Formula (Section 5307)	697,278	-	-	-
Total federal revenue	3,645,449	747,061	5,858,972	166,805
Total revenues	4,159,876	1,247,048	5,858,972	173,903
Expenditures				
Personal services	320,114	71,570	154,978	16,542
Materials and services	4,533,622	1,063,265	5,040,446	166,453
Capital outlay	-	7,500	-	-
Total expenditures	4,853,736	1,142,335	5,195,424	182,995
Excess (deficiency) of revenues over expenditures	(693,860)	104,713	663,548	(9,092)
Other financing sources (uses)				
Transfer from General Fund	857,803	-	-	15,289
Call Center allocation	(163,943)	(17,014)	(663,548)	(6,197)
Transfer out to other funds	-	(25,097)	-	-
Total other financing sources (uses)	693,860	(42,111)	(663,548)	9,092
Net change in fund balance	-	62,602	-	-
Fund balance, beginning of year	-	335,949	-	2,262
Fund balance, end of year	$ -	$ 398,551	$ -	$ 2,262

TripLink Call Center	Mobility Management	STF Coordination	Total Special Transportation Fund
$ -	$ -	$ -	$ 434,312
-	38,150	97,127	627,553
-	-	4,652	99,576
-	38,150	101,779	727,129
-	-	-	5,858,972
-	-	-	2,453
-	-	-	2,824,099
-	94,119	98,345	1,012,141
-	-	-	215,808
-	-	-	697,278
-	94,119	98,345	10,610,751
-	132,269	200,124	11,772,192
16,886	131,944	102,729	814,763
830,171	2,894	76,631	11,713,482
-	-	-	7,500
847,057	134,838	179,360	12,535,745
(847,057)	(2,569)	20,764	(763,553)
-	4,556	-	877,648
850,702	-	-	-
(3,645)	(1,987)	(2,718)	(33,447)
847,057	2,569	(2,718)	844,201
-	-	18,046	80,648
-	-	622,846	961,057
$ -	$ -	$ 640,892	$ 1,041,705

Salem Area Mass Transit District
Schedule of Property Tax Transactions and Outstanding Balances
For the Fiscal Year Ended June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	2012-13 Levy	Discount & Adjustments	Collections	Uncollected Balance June 30, 2013
2012-13	$ -	$ 10,233,065	$ (299,505)	$ (9,570,505)	$ 363,055
2011-12	375,332	-	(12,406)	(175,667)	187,259
2010-11	201,602	-	(2,414)	(80,750)	118,438
2009-10	123,832	-	(1,412)	(79,385)	43,035
2008-09	45,444	-	1,290	(33,821)	12,913
2007-08	10,250	-	(142)	(2,833)	7,275
2006-07	5,243	-	(122)	(1,048)	4,073
Prior years	13,769	-	(200)	(848)	12,721
Totals	$ 775,472	$ 10,233,065	$ (314,911)	$ (9,944,857)	$ 748,769

Statistical Section

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

Contents

Financial Trend Information

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

Revenue Capacity Information

These schedules contain information to help the reader assess the factors affecting the District’s ability to generate its most significant 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.

NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

Financial Trend Information

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

	2004	2005	2006
ASSETS			
Current and other assets	$ 12,954,626	$ 10,482,205	$ 8,895,486
Capital assets, net	21,703,284	21,714,768	24,147,672
Total assets	$ 34,657,910	$ 32,196,973	$ 33,043,158
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities	$ 1,545,524	$ 1,533,204	$ 2,829,063
Noncurrent liabilities	842,695	810,797	885,767
Total liabilities	2,388,219	2,344,001	3,714,830
NET POSITION			
Net investment in capital assets	21,703,284	21,714,768	24,147,672
Restricted for capital projects and special transportation	1,968,884	2,490,699	-
Unrestricted	8,597,523	5,647,505	5,180,656
Total net position	32,269,691	29,852,972	29,328,328
Total liabilities and net position	$ 34,657,910	$ 32,196,973	$ 33,043,158

2007	2008	2009	2010	2011	2012	2013
$ 10,258,141	$ 11,263,617	$ 9,902,524	$ 15,370,036	$ 17,728,733	$ 23,652,119	$ 24,153,129
23,614,440	27,949,586	28,131,954	27,433,790	33,014,713	28,156,242	34,371,636
$ 33,872,581	$ 39,213,203	$ 38,034,478	$ 42,803,826	$ 50,743,446	$ 51,808,361	$ 58,524,765
$ 2,659,202	$ 3,234,389	$ 2,822,167	$ 4,840,891	$ 5,355,014	$ 7,938,659	$ 6,078,400
402,358	2,009,656	746,212	813,866	1,153,604	1,523,030	1,904,030
3,061,560	5,244,045	3,568,379	5,654,757	6,508,618	9,461,689	7,982,430
23,614,440	27,949,586	28,131,954	27,433,790	33,014,713	28,156,242	34,371,636
1,281,412	4,543,842	4,727,824	6,058,918	1,699,364	2,178,935	4,928,337
5,915,169	1,475,730	1,606,321	3,656,361	9,520,751	12,011,495	11,242,362
30,811,021	33,969,158	34,466,099	37,149,069	44,234,828	42,346,672	50,542,335
$ 33,872,581	$ 39,213,203	$ 38,034,478	$ 42,803,826	$ 50,743,446	$ 51,808,361	$ 58,524,765

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

	2004	2005	2006	2007
OPERATING REVENUES:				
Passenger fares	$ 1,948,334	$ 2,186,627	$ 2,362,414	$ 2,632,514
Accessible services and medicaid	-	-	-	-
Total operating revenues	1,948,334	2,186,627	2,362,414	2,632,514
OPERATING EXPENSES:				
Personnel services	12,163,922	13,272,743	14,126,427	13,586,670
Materials and services	10,197,550	11,592,451	11,686,151	12,083,544
Depreciation	1,524,355	1,601,562	1,504,886	1,644,803
OPEB expense	-	-	-	-
Total operating expenses	23,885,827	26,466,756	27,317,464	27,315,017
Operating loss	(21,937,493)	(24,280,129)	(24,955,050)	(24,682,503)
NON-OPERATING REVENUES (EXPENSES):				
Property taxes	7,099,782	7,254,775	7,743,212	8,314,992
State assistance	3,405,494	3,707,786	3,621,502	4,460,309
Federal assistance	8,821,868	9,490,214	9,273,351	8,674,691
Investment income	93,623	147,482	152,357	266,571
Other revenue	395,104	596,288	603,628	496,318
(Loss) gain on disposal of capital assets	-	-	-	-
Total non-operating revenues (expenses)	19,815,871	21,196,545	21,394,050	22,212,881
Net income (loss) before contributions	(2,121,622)	(3,083,584)	(3,561,000)	(2,469,622)
EXTRAORDINARY ITEMS				
Loss on capital asset impairment	-	-	-	-
Litigation settlement	-	-	-	-
CAPITAL CONTRIBUTIONS	2,725,827	666,865	3,036,356	3,952,315
Change in net position	604,205	(2,416,719)	(524,644)	1,482,693
NET POSITION, BEGINNING	31,665,486	32,269,691	29,852,972	29,328,328
NET POSITION, ENDING	$ 32,269,691	$ 29,852,972	$ 29,328,328	$ 30,811,021

2008	2009	2010	2011	2012	2013
$ 2,762,266	$ 3,231,769	$ 2,095,166	$ 2,271,146	$ 2,916,951	$ 2,793,604
-	-	-	1,255,467	2,472,645	3,127,234
2,762,266	3,231,769	2,095,166	3,526,613	5,389,596	5,920,838
14,524,212	14,351,777	15,408,544	15,536,920	15,715,505	16,130,831
12,769,166	15,770,114	15,143,728	13,275,500	14,901,593	16,200,005
2,512,574	2,459,175	2,341,038	2,699,400	3,556,442	2,883,582
-	406,933	406,933	339,738	369,426	381,000
29,805,952	32,987,999	33,300,243	31,851,558	34,542,966	35,595,418
(27,043,686)	(29,756,230)	(31,205,077)	(28,324,945)	(29,153,370)	(29,674,580)
8,566,026	9,076,275	9,461,631	9,632,849	9,733,903	9,984,733
5,029,477	6,286,707	7,764,506	7,615,152	7,459,771	5,251,979
9,488,576	9,173,937	13,010,303	10,306,319	11,014,530	12,538,020
265,859	111,844	32,217	44,304	58,336	65,672
795,715	622,791	886,411	501,722	594,405	653,937
-	-	-	-	(21,817)	14,000
24,145,653	25,271,554	31,155,068	28,100,346	28,839,128	28,508,341
(2,898,033)	(4,484,676)	(50,009)	(224,599)	(314,242)	(1,166,239)
-	-	-	-	(4,033,628)	-
-	-	-	-	-	3,842,554
6,056,170	4,981,617	2,732,979	7,310,358	2,459,714	5,519,348
3,158,137	496,941	2,682,970	7,085,759	(1,888,156)	8,195,663
30,811,021	33,969,158	34,466,099	37,149,069	44,234,828	42,346,672
$ 33,969,158	$ 34,466,099	$ 37,149,069	$ 44,234,828	$ 42,346,672	$ 50,542,335

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	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value of Taxable Property
	Residential	Commercial	Other					
2013	$ 8,818,191,661	$ 3,436,758,630	$ 1,287,396,889	$ 377,574,654	$ 387,786,955	$ 14,307,708,789	0.7609	$ 21,851,544,550
2012	8,759,048,203	3,339,150,044	1,343,247,958	379,657,608	380,494,517	14,201,598,330	0.7609	21,696,127,273
2011	8,600,677,419	3,183,653,070	1,312,362,404	442,244,755	388,944,263	13,927,881,911	0.7609	22,584,754,218
2010	8,361,385,216	3,087,730,407	1,289,452,586	427,454,948	394,774,662	13,560,797,819	0.7609	23,200,234,621
2009	8,077,158,768	2,918,957,086	1,277,143,724	339,680,536	376,216,930	12,989,157,044	0.7609	23,664,102,049
2008	7,684,866,692	2,803,893,266	1,216,667,745	344,047,884	365,161,804	12,414,637,391	0.7609	22,610,541,701
2007	7,302,989,213	2,647,888,179	1,144,732,743	305,671,160	340,400,775	11,741,682,070	0.7609	19,737,098,423
2006	6,904,738,831	2,502,620,059	1,124,720,548	305,267,725	335,286,345	11,172,633,508	0.7609	17,733,108,386
2005	6,499,908,300	2,390,898,269	1,111,367,017	345,988,327	330,659,839	10,678,821,752	0.7609	16,305,386,468
2004	6,168,296,832	2,303,087,915	1,171,634,267	311,451,968	332,193,935	10,286,664,917	0.7609	15,315,648,811

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 includec 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%.

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

	2013			2004		
Taxpayer	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Portland General Electirc Co	1	$ 109,365,900	0.76%	2	$ 209,857,070	2.04%
Northwest Natural Gas Co	2	88,007,000	0.62%	4	116,676,000	1.13%
Lancaster Development Company LLC	3	62,861,330	0.44%	8	41,884,190	0.41%
Donahue Schriber Realty Group	4	48,762,870	0.34%			
Metopolitan Life Insurance Co	5	42,822,470	0.30%	10	28,230,920	0.27%
CenturyLink	6	41,975,700	0.29%			
State Investments LLC	8	35,747,003	0.25%			
HD Salem OR Landlord LLC	7	32,423,630	0.23%			
Wal-Mart Real Estate Business Tr	9	32,392,310	0.23%			
State Accident Insurance Fund	10	29,534,890	0.21%			
Mitsubishi Silicon America				1	226,814,160	2.20%
Qwest Corporation				3	143,683,822	1.40%
Norpac Food Inc				5	77,883,848	0.76%
Winco Foods Inc				6	73,019,214	0.71%
Boise Cascade				7	60,584,693	0.59%
Craig Realty Group Woodburn LLC				9	28,491,680	0.28%
Total for principal taxpayers		523,893,103	3.66%		1,007,125,597	9.79%
Total taxable assessed value		$ 14,307,708,789			$ 10,286,664,917	

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: Amount Collected	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Amount Collected	Total Collections to Date: Percentage of Levy
2013	$ 10,233,065	$ 9,570,505	93.53%	$ -	$ 9,570,505	93.53%
2012	10,084,413	9,412,400	93.34%	175,667	9,588,067	95.08%
2011	9,899,957	9,218,258	93.11%	262,353	9,480,611	95.76%
2010	9,648,987	8,976,407	93.03%	334,291	9,310,698	96.49%
2009	9,308,022	8,651,833	92.95%	386,678	9,038,511	97.10%
2008	8,920,000	8,353,566	93.65%	308,580	8,662,146	97.11%
2007	8,464,291	7,999,676	94.51%	255,314	8,254,990	97.53%
2006	7,969,446	7,505,581	94.18%	241,814	7,747,395	97.21%
2005	7,632,688	7,102,392	93.05%	264,751	7,367,143	96.52%
2004	7,296,789	6,819,312	93.46%	232,910	7,052,222	96.65%

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

Year	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Unemployment Rate
2012	319,985	$ 11,249,451	$ 35,156	9.6%
2011	318,150	10,790,917	33,841	10.2%
2010	315,335	10,371,061	32,805	10.8%
2009	318,170	10,453,957	32,876	10.8%
2008	314,865	10,374,739	33,075	9.2%
2007	311,070	9,901,895	31,926	5.5%
2006	306,665	9,458,541	30,924	5.7%
2005	302,135	8,635,434	28,645	6.5%
2004	301,702	8,528,650	28,545	7.6%
2003	298,526	8,168,137	27,546	8.0%

Personal Income in thousands

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

Sources:

Oregon Employment Department - Worksource Oregon
US Bureau of Labor Statistics
SEDCOR Fast Facts

Operating Information

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Division										
General Administrative										
General Manager	3.0	3.0	3.0	2.0	2.0	2.0	3.0	2.0	2.0	2.0
Finance	8.0	8.0	8.0	8.0	8.75	8.3	6.75	7.0	7.0	7.0
Human Resources	6.0	6.0	6.6	6.0	6.0	6.0	5.5	5.5	4.5	4.5
Information Systems	2.0	3.0	3.0	2.0	2.0	2.1	2.1	3.1	4.0	4.0
Operations										
Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	4.0
Security	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fixed Route Operations - Non-Bargaining	11.0	11.0	10.0	9.0	9.0	9.0	9.0	11.0	11.0	10.0
Fixed Route Operations - Bargaining	124.0	129.0	129.0	104.0	106.5	106.5	96.5	97.5	97.5	96.0
Vehicle Maintenance - Non-Bargaining	5.0	5.0	5.0	5.0	5.0	5.0	6.0	6.0	6.0	4.0
Vehicle Maintenance - Bargaining	26.0	26.0	26.0	22.0	21.0	21.0	19.0	19.0	19.0	20.0
Facilities Maintenance - Non-Bargaining	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Facilities Maintenance - Bargaining	3.0	5.0	5.0	4.0	5.0	6.0	5.0	5.0	5.0	5.0
Transportation Development										
Transportation Development	5.0	5.0	5.0	4.0	4.0	4.0	3.0	7.0	7.0	4.0
Rideshare Program	-	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.5	2.0
Community Relations										
Customer Service	7.5	7.5	7.5	6.5	6.5	6.5	5.5	5.5	6.0	6.0
Marketing	-	-	-	-	-	-	-	-	-	2.0
Director	-	-	-	-	-	-	-	-	-	1.0
Total FTE Per Budget	205.5	215.5	215.1	179.5	182.75	183.4	168.35	173.6	174.5	173.5

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)
2004	$ 1,626,984	$ 15,069,446	10.8%	2,724,262	2,533,272	5,350,584
2005	1,879,173	16,878,744	11.1%	2,821,646	2,617,061	5,412,915
2006	2,044,104	18,013,506	11.3%	2,808,326	2,593,144	5,551,542
2007	2,286,289	17,104,414	13.4%	2,430,139	2,235,947	5,125,357
2008	2,762,266	17,707,826	15.6%	2,329,787	2,150,744	5,047,275
2009	3,231,769	17,349,035	18.6%	2,192,433	2,009,115	4,746,944
2010	2,095,166	17,904,498	11.7%	2,171,446	2,019,554	4,272,534
2011	2,156,084	18,481,242	11.7%	2,131,035	1,990,530	4,203,930
2012	2,487,342	18,582,768	13.4%	2,089,966	1,951,757	3,363,002
2013	2,358,925	19,555,613	12.1%	2,117,115	1,982,591	3,413,873

Demand Response

Fiscal Year	Fare Revenue	Operating Expense	Revenue Margin	Annual Vehicle Miles	Annual Revenue Miles	Unlinked Passenger Trips (UPT)
2004	$ 166,936	$ 2,945,952	5.7%	1,065,257	900,270	230,779
2005	343,733	3,075,454	11.2%	1,191,963	1,033,835	234,911
2006	360,920	4,426,714	8.2%	1,358,527	1,157,971	293,028
2007 ^	372,961	9,148,118	4.1%	2,410,478	2,110,211	341,171
2008	381,634	9,459,013	4.0%	3,605,490	3,169,918	430,040
2009	316,694	11,567,019	2.7%	4,314,455	3,467,393	440,924
2010	389,909	11,044,498	3.5%	3,998,375	3,485,995	465,112
2011	311,598	12,975,583	2.4%	3,838,149	3,724,201	441,921
2012	248,961	11,527,023	2.2%	4,789,771	4,789,771	429,685
2013	198,154	12,865,869	1.5%	4,530,236	4,182,683	488,466

Vanpool*

Fiscal Year	Fare Revenue	Operating Expense	Revenue Margin	Annual Vehicle Miles	Annual Revenue Miles	Unlinked Passenger Trips (UPT)
2004	$ -	$ -	0.0%	-	-	-
2005	16,520	20,113	82.1%	37,421	36,320	5,779
2006	17,346	233,704	7.4%	122,877	122,877	22,358
2007	56,877	208,195	27.3%	157,586	157,586	25,163
2008	-	106,615	0.0%	120,258	120,258	23,444
2009	67,246	150,398	44.7%	186,407	186,407	34,466
2010	100,692	190,234	52.9%	223,173	223,173	38,080
2011	103,070	219,087	47.0%	246,546	246,546	42,888
2012	140,800	289,517	48.6%	343,211	343,211	55,830
2013	182,063	376,183	48.4%	399,775	399,775	66,175

***** Vanpool operations began in 2005
^ In FY 2007 the District began receiving the funds and paying contractors for the services they provided rather than the contractor receiving the funds directly.

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

Fixed Route System

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
2004	16,051,752	168,541	$ 5.53	$ 5.95	$ 2.82	$ 0.94
2005	16,238,835	173,660	5.98	6.45	3.12	1.04
2006	16,270,599	171,375	6.41	6.95	3.24	1.11
2007	15,338,365	173,879	7.04	7.65	3.34	1.12
2008	14,968,263	168,745	7.60	8.23	3.51	1.18
2009	15,643,452	159,896	7.91	8.64	3.65	1.11
2010	11,974,068	157,480	8.25	8.87	4.19	1.50
2011	13,620,825	157,335	8.67	9.28	4.40	1.36
2012	10,896,126	154,772	8.89	9.52	5.53	1.71
2013	11,060,948	154,905	9.24	9.86	5.73	1.77

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
2004	900,270	65,480	$ 2.77	$ 3.27	$ 12.77	$ 3.27
2005	1,033,835	74,000	2.58	2.97	13.09	2.97
2006	1,157,971	85,763	3.26	3.82	15.11	3.82
2007 ^	3,274,771	140,894	3.80	4.34	26.81	2.79
2008	4,008,772	216,539	2.62	2.98	22.00	2.36
2009	5,124,417	215,509	2.68	3.34	26.23	2.26
2010	5,449,726	233,497	2.76	3.17	23.75	2.03
2011	6,202,495	226,002	3.38	3.48	29.36	2.09
2012	8,340,340	232,769	2.41	2.41	26.83	1.38
2013	5,534,320	244,964	2.84	3.08	26.34	2.32

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
2004	-	-	$ -	$ -	$ -	$ -
2005	282,334	811	0.54	0.55	3.48	0.07
2006	1,113,153	2,913	1.90	1.90	10.45	0.21
2007	1,166,256	3,557	1.32	1.32	8.27	0.18
2008	956,191	3,939	0.89	0.89	4.55	0.11
2009	1,296,409	4,217	0.81	0.81	4.36	0.12
2010	1,457,047	4,974	0.85	0.85	5.00	0.13
2011	1,645,638	5,633	0.89	0.89	5.11	0.13
2012	2,060,457	7,705	0.84	0.84	5.19	0.14
2013	2,611,080	8,704	0.94	0.94	5.68	0.14

NO CONTENT APPEARS
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Disclosures and Comments Required by State Minimum Standards

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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, 2013, and have issued our report thereon dated January 31, 2014.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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.
- The District transferred appropriations through a board resolution to an expenditure category that was not originally budgeted. Oregon Revised Statues requires the District to complete the supplemental budget process when a new appropriation category is being created.

OAR 162-10-0230 Internal Control

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.

In accordance with *Governmental Auditing Standards*, a separate report dated January 31, 2014 was issued containing an internal control deficiency that we deemed to be a significant deficiency. Additionally, a letter containing internal control deficiencies deemed to be control deficiencies will be reported to management in a separate letter.

Restriction on Use

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

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

By: Devan W. Esch

Devan W. Esch, A Shareholder
January 31, 2014

SALEM AREA MASS TRANSIT DISTRICT

Federal Compliance Report

For the year ended

June 30, 2013

Marion County, Oregon

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

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

Board of Directors
Salem Area Mass Transit District
Salem, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Salem Area Mass Transit (the District), as of and for the year ended June 30, 2013, 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 31, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify a certain deficiency in internal control, described at finding 2013-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

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

Compliance and Other Matters

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

Salem Area Mass Transit District's Response to Findings

Salem Area Mass Transit District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Salem Area Mass Transit District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Grove Mueller & Swank PC

CERTIFIED PUBLIC ACCOUNTANTS

January 31, 2014

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

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

Board of Directors
Salem Area Mass Transit District
Salem, Oregon

Report on Compliance for Each Major Federal Program

We have audited Salem Area Mass Transit (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, 2013. 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, 2013.

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, 2013, and have issued our report thereon dated January 31, 2014 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Purpose of this Report

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

Goore Mueller & Clark PC

CERTIFIED PUBLIC ACCOUNTANTS

January 31, 2014

Salem Area Mass Transit District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Grantor/Number*	*Program/ Award Amount*	*Expenditures*
U S Dept of Transportation				
Federal Transit Cluster				
Direct				
5309B 07/08 PT/Admin Expansion	20.500	OR04-0014	$ 1,971,440	$ 917,571
11 5309 Livability Keizer Transit Center	20.500	OR04-0039	2,800,000	853,314
South Salem Transit Center	20.500	OR15-X001	750,000	156,269
08/09/10/11 5307 PM,ADA Service,Operating	20.500	OR90-X142	3,516,835	14,093
2009 ARRA	20.500	OR96-X005	5,164,353	2,394,186
JARC	20.507	OR37-X003	1,294,397	4,076
JARC 06/07/08/09/10/11/12	20.507	OR37-X011	1,453,110	250,626
08/09/10/11 5307 PM,ADA Service,Operating	20.507	OR90-X154	17,655,897	417,613
12 5307 PM, ADA, Operating	20.507	OR90-X165	5,037,309	318,313
13 5307 PM, ADA, Operating	20.507	OR90-X167	5,292,108	4,589,722
STP Bus Stops, Shelters	20.507	OR95-X015	855,380	17,020
Passed through Oregon Department of Transportation				
CARTS Vehicles State of Good Repair	20.500	23543	123,683	120,215
Total Federal Transit Cluster				10,053,018
Transit Services Programs Cluster				
Direct				
New Freedom 06 - 12	20.521	OR57-X004	486,153	20,050
Passed through Oregon Department of Transportation				
CARTS Preventative Maintenance/Cherry Lift	20.513	27712	807,134	417,870
STF Admin/Mobility Management	20.513	27713	466,139	188,274
CherryLift/CARTS/W. Valley Connections	20.513	27714	1,037,019	529,969
Shopper Shuttle	20.513	27715	368,180	185,273
Total Transit Services Programs Cluster				1,321,386
Passed through Oregon Department of Transportation				
CARTS Rural	20.509	28415	331,050	215,808
RTAP - OTA Conference	20.509	N/A		839
Highway Planning and Construction Cluster				
Passed through Oregon Department of Transportation				
TDM/Rideshare	20.205	28619	331,653	240,698
Passed through Mid-Willamette Valley Council of Governments				
Transportation Planning 12/13	20.505	28820	98,930	98,930
Total Federal Awards				$ 11,950,729

See notes to schedule of expenditures of federal awards.

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, 2013.

Revenue and Expenditure Recognition

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

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?	Yes
• Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major program:

CFDA Numbers	***Name of Federal Program or Cluster***
20.500 & 20.507	U.S. Department of Transportation Federal Transit Cluster
20.205	U.S. Department of Transportation Highway Planning & Construction Cluster

Dollar threshold used to distinguish between type A and type B programs:	$358,521
Auditee qualified as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDINGS

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

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

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

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

FINANCIAL STATEMENT FINDINGS *(Continued)*

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

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

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

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

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

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

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Salem Area Mass Transit District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

There were no findings or questioned costs reported in the prior year.