



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Years Ended June 30, 2020 and 2019

JANUARY 31, 2021

Salem, Oregon

SALEM AREA MASS TRANSIT DISTRICT

Comprehensive Annual Financial Report

For the years ended

June 30, 2020 and 2019

Marion County, Oregon

Prepared by

Al McCoy, Director of Finance/CFO
Wendy Feth, Accounting Manager

Salem Area Mass Transit District
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Introductory Section



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

January 31, 2021

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

It is our pleasure to submit to you the Comprehensive Annual Financial Report of the Salem Area Mass Transit District for the fiscal year ended June 30, 2020. Oregon Statutes require that the District publish, within six months of the close of each fiscal year (FY), 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. For FY 2020, the District received an extension for submission of these documents until January 31, 2021.

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 finances.

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

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

Grove, Mueller & Swank, P.C., a firm of licensed certified public accountants, audited the District's financial statements. The goal of this independent audit was to provide reasonable assurance that the financial statements of the District for the FY ended June 30, 2020, 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 FY ended June 30, 2020, 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) Super Circular 2 Code of Federal Regulations (CFR) Part 200, the Uniform Guidance. 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 FY ended June 30, 2020, indicated no significant violations of applicable laws and regulations. The independent auditor's report, related specifically to the Single Audit and OMB Super Circular 2 CFR Part 200, the Uniform Guidance, is contained in a separate report.

District Overview

Cherriots, officially known as the Salem Area Mass Transit District (SAMTD) provides public transportation services to the Salem and Keizer communities, as well as to many communities throughout Oregon's mid-Willamette Valley. SAMTD was established in 1979, under the provisions of Oregon Revised Statutes Chapter 267 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 has a memorandum of understanding with Marion and Polk counties to provide transit services to these two counties. SAMTD provides fixed route, paratransit, dial-a-ride, and regional services. District buses provide service over a 76-square mile area in Salem-Keizer and the mid-Willamette Valley. The population of the Cherriots service area is about 433,900.

The District's mission is to connect people with places through safe, friendly, and reliable public transportation services. We do this through a variety of services throughout the region.

In FY 2020, annual Cherriots ridership between all services was just under 2.9 million, averaging over 10,700 riders per weekday. Cherriots Local and Regional bus services operate with 60 peak vehicles. An additional 49 vehicles are dedicated to providing Cherriots LIFT or demand response service.

In addition to local fixed-route, SAMTD operates Cherriots Regional, Cherriots LIFT, and Cherriots Shop and Ride. Cherriots Regional routes provide express bus service to help riders travel between cities in Marion and Polk counties. Moreover, Cherriots provides an express commuter route to Wilsonville and the Polk County Flex, a demand response service in Dallas, Monmouth and Independence.

Cherriots LIFT, a dial-a-ride paratransit service provided to people with disabilities, operates throughout the Salem-Keizer urban growth boundary. Riders must be certified eligible to use Cherriots LIFT service in advance of scheduling a trip.

Lastly, Cherriots Shop and Ride is a shopper shuttle and dial-a-ride service for seniors and people with disabilities. It operates throughout the Salem-Keizer urban growth boundary. There is no formal eligibility processes to use the service.

FY 2020 was a transitional year for the SAMTD Board of Directors whose seven members represent sub-districts of the service area and serve a four-year term. With the start of FY 2020, as current directors' terms expired, the Board transitioned to Governor-appointed positions. By the end of FY 2020, five of the seven positions had been appointed by the Governor. The Board sets policy, appropriates funds, adopts budgets and reviews contracts.

The District is authorized to levy taxes and charge fares to pay for operations. Thirty-seven percent of general fund revenue comes from local property taxes. Thirty-five percent of the general fund are funds received from the state. This is an increase of 4 percent points over last fiscal year. The increase is primarily due to an increase in STIF Formula funding, our newest dedicated source of state funding for Oregon transit districts. FY 2020 was the first full fiscal year of payments; therefore, we received four quarters of payments, as compared with only one payment in FY 2019. With this additional funding source, in September 2019 SAMTD was able to restore Saturday service which had been eliminated in 2009 because of budgetary reasons. Sundays and holidays were to be added in May 2020 utilizing these funds; however, the COVID-19 pandemic has delayed this addition until the fall of 2021.

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/Division level for current expenditures, with separate appropriations established for the Division levels of General Manager/Board of Directors/Strategic Initiatives & Program Management, Finance & Technology, Administration, Operations, Communication, Unallocated – General Administration, 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.

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 174,365 according to the 2019 U.S. Census Bureau estimate. In 2019 there were an estimated 433,900 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 regional services to Marion and Polk counties and commuter services to Wilsonville, in Clackamas County.

Salem is the capital of Oregon and the county seat for Marion County. Population estimates from Portland State University's Population Research Center rank Salem as the third largest city and Keizer as the 14th largest city in Oregon. However, the Salem MSA had the second largest population in the state at July 1, 2020. The major industries in the Salem MSA are agribusiness, health care, technology, government, and education.

The average unemployment rate in the Salem MSA in 2019 was 3.6 percent. However, subsequent events during the last half of FY 2020 caused this number to spike. In the spring, the COVID-19 pandemic struck the economy hard. Record-setting wildfires followed in the summer. The rate of unemployment jumped to 13.2% by April 2020. Preliminary estimates for the most recent month show an improvement to 6.0%. The Oregon Office of Economic Analysis (OOEA) expects the labor market to return to health by mid-2023. This will depend heavily on trends with pandemic cases, COVID-19 vaccination rates, and future federal and state relief packages.

Fixed Route Transportation

Approximately 8.3 million passenger miles were traveled annually, with total ridership of 2,700,897 for FY 2020. This total ridership represents a decrease of 8.6 percent from FY 2019. For FY 2020 the operating costs per revenue mile for the fixed route service amounted to \$12.52 compared to a cost of \$12.40 for FY 2019 (a 1.0 percent increase), while the average cost per ride increased from \$8.91 in FY 2019 to \$11.10 for FY 2020 (a 24.6 percent increase). The increase in the cost per ride is more than last year's increase of 9.6 percent, and is driven by the effects of the pandemic - increased operating costs, decreased operating revenue miles, and decreased ridership, in the last five months of the fiscal year.

Alternative Transportation

Ridership in the paratransit, dial-a-ride, and shopper shuttle programs decreased during FY 2020. The total rides provided in FY 2020 were 114,522 compared to 241,297 rides provided in FY 2019. The average cost of providing demand response rides in FY 2020 was \$50.68 compared with \$30.18 for FY 2019. This increase in cost per ride is the result of continued expenses to operate the programs, including continued payments to our third-party contractor to transition drivers to assist in the increased disinfection of vehicles and bus stops; also, an approximate 50 percent decrease in rides occurred due to the pandemic.

A small portion of the cost of providing these alternative transportation services is covered with fare revenue, 3.2 percent for FY 2020 compared with 4.7 percent for FY 2019. Fare recovery ratio was reduced because Cherriots suspended fare collection on all its vehicles as a safety measure for physical distancing during the pandemic. Funding from federal and state sources provided 80.7 percent of FY 2020 and 78.3 percent of FY 2019 program operating costs. A majority of program costs continue to be funded by grants, minimizing the use of General Fund contributions.

Major Initiatives

Our primary initiatives this year center on addressing the pandemic's impact on our customers and employees, maintaining last year's service enhancements and the introduction of new technology. In September 2019 extended weekday service hours and the introduction of Saturday service began. The next phase is set to begin in fall of 2021 when Sunday and holiday service begins.

The major technology project for this year continues to be the installation and testing of Intelligent Transportation System (ITS) technology. The ITS technology includes computer aided dispatch and automated vehicle location (CAD/AVL) equipment that will not only improve operational efficiency but improve the customer experience. Additional components as part of the ITS system include automated passenger counting, and automated talking head signs. Additional components will be introduced in future years.

Future

Now that the "A Better Cherriots" service plan is largely implemented, the future will focus on the changing transit landscape. Beginning that process the board has asked the District to go through a strategic planning process to set a roadmap for the future and determine how the District moves from a transit service provider to a mobility integrator for the Mid-Valley Community.

Long-term Financial Planning

One of the Districts strategic priorities is to ensure organizational viability. One important factor in this priority is financial viability. Now that we are receiving a new sustainable revenue source (STIF) it is important that we can fiscally maintain this new service long-term. We are continuing work to ensure we are able to fund our 10-year capital improvement plan.

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 FY ended June 30, 2019. This was the eighth consecutive year that the District received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,

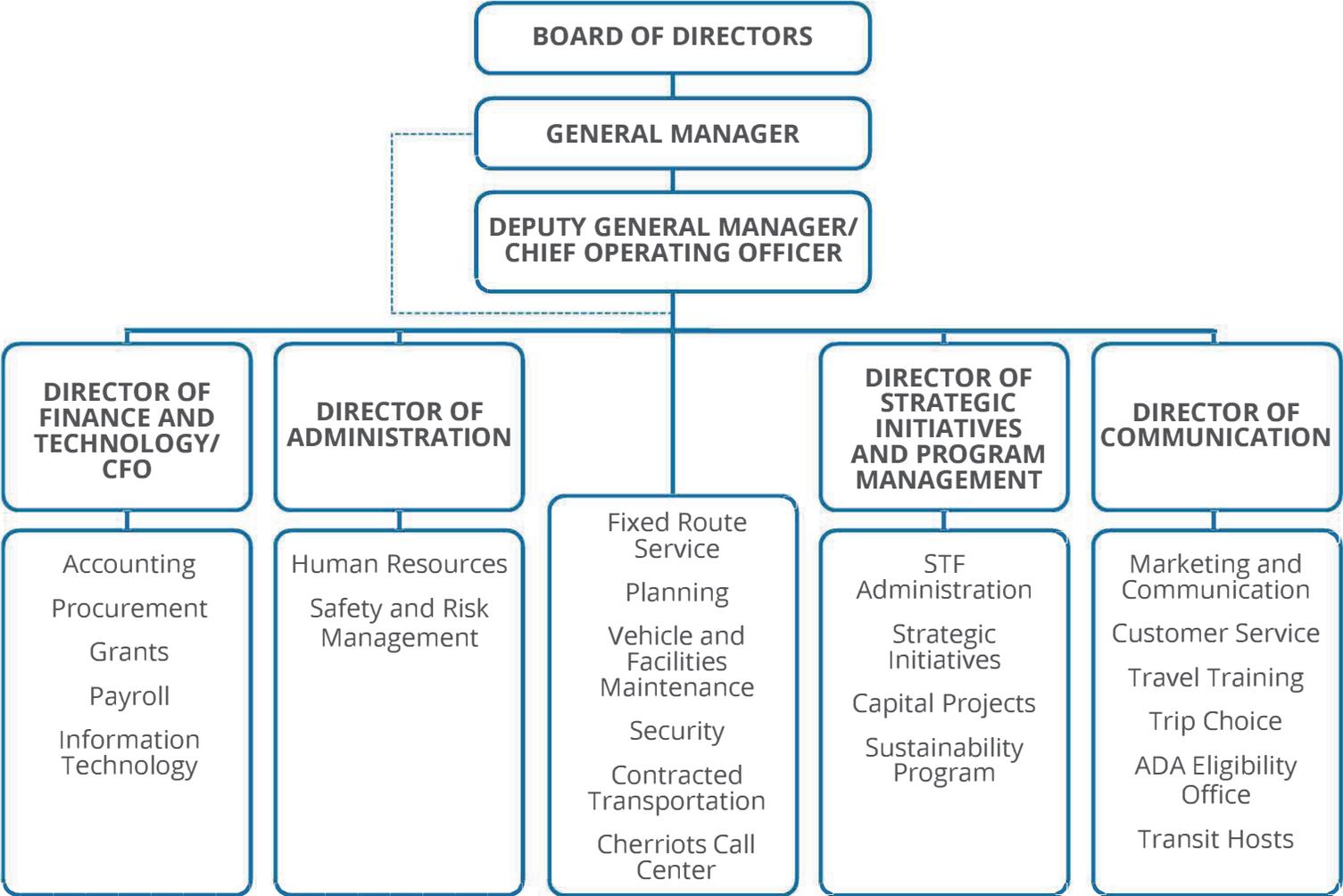


Allan Pollock
General Manager



Al McCoy
Chief Financial Officer

SALEM AREA MASS TRANSIT DISTRICT



Salem Area Mass Transit District
Board of Directors
July 2019 – June 2020



CHI NGUYEN (Subdistrict #1)

1665 Sisters Court NW
Salem, Oregon 97304
P: (503)949-5263 | E: chi.nguyen@cherriots.org

Appointed 07/01/2019 – 06/30/2023



COLLEEN BUSCH (Subdistrict #2)

4064 Noon Avenue NE
Keizer, Oregon 97303
P: (503)689-3875 | E: colleen.busch@cherriots.org

Elected 07/01/2015; Reelected 2017-2021



SADIE CARNEY (Subdistrict #3)

1595 5th Street NE
Salem, Oregon 97301
P: (971)887-8896 | E: sadie.carney@cherriots.org

Appointed 07/01/2019 – 06/30/2023



DOUG RODGERS (Subdistrict #4)

2250 Brown Road NE
Salem, Oregon 97305-1818
P: (971)715-8751 | E: doug.rodgers@cherriots.org

Elected 07/01/2017 - 06/30/2021



IAN DAVIDSON (Subdistrict #5)

4926 Wagon Rim Court SE
Salem, Oregon 97317
P: (253)797-0164 | E: ian.davidson@cherriots.org

Appointed 07/01/2019 – 06/30/2023



ROBERT KREBS (Subdistrict #6)

3435 Bluff Avenue SE
Salem, Oregon 97302
P: (503)375-2821 | E: robert.krebs@cherriots.org

Elected 07/01/2009; Reelected 2013, 2017-2021



CHARLES RICHARDS (Subdistrict #7)

5517 7th Avenue SE
Salem, Oregon 97302
P: (503)363-4627 | E: charles.richards@cherriots.org

Appointed 07/01/2019 – 06/30/2023



Government Finance Officers Association

Certificate of
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**Salem Area Mass Transit
Oregon**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Financial Section



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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Salem Area Mass Transit
Salem, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Salem Area Mass Transit (the District) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Salem Area Mass Transit District, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), schedule of changes in the net pension liability and related ratios – non-bargaining, schedule of employer contributions – defined benefit plan – non-bargaining, schedule of changes in the net pension liability and related ratios – bargaining, schedule of employer contributions – defined benefit plan - bargaining, and schedule of changes in the District's total OPEB liability and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the MD&A and the required supplementary information schedules as described above in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

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

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

Reporting Required by Legal and Regulatory Requirements

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2021, 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.

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, 2021, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By: 

Ryan T. Pasquarella, A Shareholder
January 31, 2021

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

The management of Salem Area Mass Transit District (District) presents this narrative overview and analysis to facilitate both a short-term and long-term analysis of the financial activities of the District for the fiscal years ended June 30, 2020 and 2019. 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 FY 2020 from \$72.4 million to \$80.7 million, due to an increase in federal grants receivable and an increase in buses and equipment. The District's total assets increased in FY 2019 from \$62.9 million to \$72.4 million, due to an increase in federal grants receivable and an increase in buses and equipment.

The District's deferred outflows increased in FY 2020 by approximately \$2.5 million but the District's deferred outflows decreased in FY 2019 by approximately \$1.1 million. These changes are due to actuarial assumption changes and other activities in the District's retirement plans. For comparison purposes, deferred outflows and inflows from pension investments for both fiscal years were netted.

The District's total liabilities increased in FY 2020 by \$1.4 million, due mostly to an increase in payroll withholdings and taxes, an increase in retainage, and an increase in the net OPEB liabilities of the District. The District's total liabilities decreased in FY 2019 by \$1.3 million, due mostly to a decrease in accounts payable and a decrease in the net OPEB liability of the District.

In FY 2020, the District's total net position increased by \$8.1 million. The investment in capital assets increased by approximately \$4.4 million, mainly due to a \$1.6 million increase in Construction in Progress and a \$3.2 million increase in vehicle rolling stock. Restricted net position for capital projects and special transportation decreased by approximately \$1.2 million and \$27,500, respectively, and the unrestricted net position increased by approximately \$4.8 million.

In FY 2019, the District's total net position increased by \$9.7 million. The investment in capital assets increased by approximately \$10.9 million mainly due to a \$1.7 million increase in Construction in Process and a \$10.8 million increase in rolling stock offset by yearly depreciation. The unrestricted net position increased by approximately \$1.5 million.

Net position investment 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 net position restricted for special transportation represent amounts restricted for use for capital expenditures, and for transportation programs and projects, respectively.

In FY 2018, the District adopted GASB Statement No. 75. This statement established new accounting and reporting rules related to postemployment benefits other than pensions (OPEB) that, most notably, required a change from reporting the unfunded actuarial accrued liability (UAAL) for the plan in the notes to the financial statements to recognizing the UAAL on the balance sheet as a liability of the District.

	<i>June 30,</i>		
	<i>2020</i>	<i>2019</i>	<i>2018</i>
Assets			
Current and restricted assets	\$ 32,377,724	\$ 28,504,479	\$ 29,931,754
Capital assets, net of depreciation	48,311,842	43,865,763	32,953,227
Total assets	80,689,566	72,370,242	62,884,981
Deferred outflows of resources	4,742,447	2,267,936	3,349,902
Total assets and deferred outflows of resources	85,432,013	74,638,178	66,234,883
Liabilities			
Current liabilities	3,003,712	2,684,862	2,870,137
Noncurrent liabilities	11,831,307	10,788,269	11,918,844
Total liabilities	14,835,019	13,473,131	14,788,981
Deferred inflows of resources	1,670,018	288,074	228,196
Net position			
Investment in capital assets	48,311,842	43,865,763	32,953,227
Restricted for capital projects	-	1,186,447	2,797,506
Restricted for transportation programs	108,265	135,761	1,257,476
Unrestricted	20,506,869	15,689,002	14,209,497
Total net position	68,926,976	60,876,973	51,217,706
Total liabilities, deferred inflows of resources and net position	\$ 85,432,013	\$ 74,638,178	\$ 66,234,883

In FY 2020, operating revenue decreased approximately \$769,400 from \$5.1 million to \$4.4 million, or 14.9 percent, from the prior year. This decrease was due to a decrease in the passenger fares from all modes of service. The District eliminated the collection of fares in March due to reduced routes and ridership, both effects of the pandemic, and allowed the public to board by the rear door to provide physical distance with limited capacity. Non-operating revenues, including capital contributions, increased approximately \$2.2 million from the prior year. This increase is due to an increase in federal and state grants for capital acquisition. Operating expenses increased by approximately \$3.0 million from the prior year. The majority of the increase is from an increase in personnel services of \$2.3 million.

In FY 2019, operating revenue decreased approximately \$526,000 from \$5.7 million to \$5.1 million, or 9.3 percent, from the prior year. This decrease was due to a decrease in the passenger fares due to decreases in ridership when compared to the prior year. Non-operating revenues, including capital contributions, increased approximately \$5.1 million, or 14.3 percent, from the prior year. This increase is due to an increase in federal and state grants for capital acquisitions. Operating expenses decreased approximately \$3.6 million, or 8.8 percent from the prior year, primarily due to the cessation of the District's role as broker in the Non-Emergency Medical Transportation program.

The District's total revenue increased approximately \$1.4 million, or 3.0 percent, during FY 2020, primarily from non-operating sources, such as federal assistance (up 61.7 percent) for COVID pandemic-related costs; and an increase in state assistance (up 37.8 percent). Property tax revenues increased by just 1.0 percent. The District's total revenue increased approximately \$4.5 million, or 10.7 percent, during FY 2019.

	<i>Year Ended June 30,</i>		
	<i>2020</i>	<i>2019</i>	<i>2018</i>
Operating revenues			
Passenger fares	\$ 2,056,140	\$ 2,598,276	\$ 2,934,938
Accessible services and medicaid	1,850,146	2,257,875	2,361,353
Other revenues	471,874	291,406	377,044
Non-operating revenues			
Property taxes	12,955,320	12,823,442	12,161,750
State assistance	14,515,991	10,536,782	7,440,285
Federal assistance	10,558,045	6,528,594	15,458,127
Other revenues	329,609	437,038	354,870
Total revenue	42,737,125	35,473,413	41,088,367
Operating expenses	(40,358,314)	(37,356,595)	(40,952,162)
Changes in net position before capital contributions	2,378,811	(1,883,182)	136,205
Capital contributions	5,671,192	11,542,449	1,395,752
Changes in net position	8,050,003	9,659,267	1,531,957
Beginning net position	60,876,973	51,217,706	51,346,698
Restatement	-	-	(1,660,949)
Beginning net position (restated)	60,876,973	51,217,706	49,685,749
Ending net position	<u>\$ 68,926,976</u>	<u>\$ 60,876,973</u>	<u>\$ 51,217,706</u>

Capital Assets

The District's investment in capital assets amounts to \$48.3 million and \$43.9 million net of accumulated depreciation as of June 30, 2020 and 2019 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 2020 was 10.1 percent. The total increase in the District's investment in capital assets for FY 2019 was 33.1 percent.

Major capital projects during FY 2020 included the purchase of revenue vehicles for Cherriots Local, Regional, and Shop and Ride services and improvements to the Keizer Transit Center intersection and signalization. Construction in progress at the end of the year was approximately \$6.5 million for various projects.

Major capital projects during FY 2019 included the purchase of revenue vehicles for Cherriots Local, Regional, and Lift services and improvements to the Keizer Transit Center intersection. Construction in progress at the end of the year was approximately \$4.8 million for various projects.

	June 30,			Increase/(decrease)	
	2020	2019	2018	2020-2019	2019-2018
Land	\$ 3,250,691	\$ 3,250,691	\$ 3,250,691	\$ -	\$ -
Construction in progress	6,488,767	4,828,265	3,169,587	1,660,502	1,658,678
Buildings	16,581,739	17,026,541	17,531,894	(444,802)	(505,353)
Land improvements	3,053,124	3,172,162	2,998,170	(119,038)	173,992
Revenue rolling stock	17,474,136	14,287,758	4,556,229	3,186,378	9,731,529
Equipment	1,463,385	1,300,346	1,446,656	163,039	(146,310)
	<u>\$ 48,311,842</u>	<u>\$ 43,865,763</u>	<u>\$ 32,953,227</u>	<u>\$ 4,446,079</u>	<u>\$ 10,912,536</u>

Additional information on the District's capital assets can be found in note 4 on pages 20 – 21 of this report.

Economic Factors

The economy of the District and its major initiatives are discussed in detail in the accompanying Transmittal Letter.

Request for Information

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

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



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Basic Financial Statements



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Salem Area Mass Transit District
Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Unrestricted cash and cash equivalents	\$ 18,223,913	\$ 11,327,415
Accounts receivable	37,098	47,427
Property taxes receivable	495,152	528,434
Prepaid expenses	453,829	398,062
Inventories	922,508	897,124
Restricted cash and cash equivalents	108,265	1,322,208
Federal grants receivable	10,806,077	11,949,217
State grants receivable	<u>1,330,882</u>	<u>2,034,592</u>
Total current assets	32,377,724	28,504,479
Capital assets		
Land	3,250,691	3,250,691
Land improvements (net of depreciation)	3,053,124	3,172,162
Buildings and improvements (net of depreciation)	16,581,739	17,026,541
Buses and equipment (net of depreciation)	18,937,521	15,588,104
Construction in progress	<u>6,488,767</u>	<u>4,828,265</u>
Total capital assets	<u>48,311,842</u>	<u>43,865,763</u>
Total assets	<u>80,689,566</u>	<u>72,370,242</u>
Deferred outflows of resources		
Related to pensions - Non-bargaining	1,266,608	640,810
Related to pensions - Bargaining	3,072,841	1,362,169
Related to total OPEB liability	<u>402,998</u>	<u>264,957</u>
Total deferred outflows of resources	<u>4,742,447</u>	<u>2,267,936</u>
Total assets and deferred outflows of resources	<u>\$ 85,432,013</u>	<u>\$ 74,638,178</u>

	<u>2020</u>	<u>2019</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 770,579	\$ 428,957
Accounts payable from restricted assets	724,444	1,213,640
Payroll, withholdings and payroll taxes	806,684	531,018
Construction retainage	121,964	16,168
Due to other governments from restricted assets	157,230	93,679
Accrued vacation and sick leave - current portion	422,811	397,704
Unearned revenue	-	3,696
Total current liabilities	<u>3,003,712</u>	<u>2,684,862</u>
Noncurrent liabilities		
Net pension liability - Non-bargaining	1,563,511	1,283,269
Net pension liability - Bargaining	5,510,135	3,608,448
Total OPEB liability	3,489,227	4,703,440
Accrued vacation and sick leave, net of current portion	1,268,434	1,193,112
Total noncurrent liabilities	<u>11,831,307</u>	<u>10,788,269</u>
Total liabilities	<u>14,835,019</u>	<u>13,473,131</u>
Deferred inflows of resources		
Related to total OPEB liability	1,670,018	288,074
Net position		
Investment in capital assets	48,311,842	43,865,763
Restricted for capital projects	-	1,186,447
Restricted for transportation programs	108,265	135,761
Unrestricted	<u>20,506,869</u>	<u>15,689,002</u>
Total net position	<u>68,926,976</u>	<u>60,876,973</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 85,432,013</u>	<u>\$ 74,638,178</u>

Salem Area Mass Transit District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Passenger fares	\$ 2,056,140	\$ 2,598,276
Accessible services and medicaid	1,850,146	2,257,875
Other revenues	<u>471,874</u>	<u>291,406</u>
Total operating revenues	<u>4,378,160</u>	<u>5,147,557</u>
Operating expenses		
Personnel services	24,687,263	22,396,985
Materials and services	12,945,521	12,545,814
Depreciation	2,695,840	2,212,211
OPEB expense	<u>29,690</u>	<u>201,585</u>
Total operating expenses	<u>40,358,314</u>	<u>37,356,595</u>
Operating loss	(35,980,154)	(32,209,038)
Non-operating revenues		
Property taxes	12,955,320	12,823,442
State assistance	14,515,991	10,536,782
Federal assistance	10,558,045	6,528,594
Earnings on investments	314,597	431,753
Insurance settlement	10,023	-
Gain on disposal of capital assets	<u>4,989</u>	<u>5,285</u>
Total non-operating revenues	<u>38,358,965</u>	<u>30,325,856</u>
Change in net position before capital contributions	2,378,811	(1,883,182)
Capital contributions		
Federal and state grants for capital acquisition	<u>5,671,192</u>	<u>11,542,449</u>
Changes in net position	8,050,003	9,659,267
Total net position - beginning of year	<u>60,876,973</u>	<u>51,217,706</u>
Total net position - end of year	<u>\$ 68,926,976</u>	<u>\$ 60,876,973</u>

Salem Area Mass Transit District
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from customers	\$ 4,384,793	\$ 5,170,309
Payments to employees for services	(24,465,709)	(22,379,575)
Cash paid to suppliers for good and services	(13,174,246)	(13,046,660)
Net cash used for operating activities	<u>(33,255,162)</u>	<u>(30,255,926)</u>
Cash flows from noncapital financing activities		
Receipts from property taxes	12,988,602	12,909,333
Receipts from state assistance	15,283,252	6,891,605
Receipts from federal assistance	7,203,644	6,555,847
Net cash provided by noncapital financing activities	<u>35,475,498</u>	<u>26,356,785</u>
Cash flows from capital and related financing activities		
Receipts from capital grants	10,168,733	12,638,271
Acquisition and construction of capital assets	(7,036,123)	(13,130,889)
Sale of capital assets	4,989	15,592
Net cash provided by (used for) capital and related financing activities	<u>3,147,622</u>	<u>(477,026)</u>
Cash flows from investing activities		
Interest received	314,597	431,753
Net change in cash and cash equivalents	5,682,555	(3,944,414)
Cash and cash equivalents, July 1	<u>12,649,623</u>	<u>16,594,037</u>
Cash and cash equivalents, June 30	<u>\$ 18,332,178</u>	<u>\$ 12,649,623</u>
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	\$ (35,980,154)	\$ (32,209,038)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	2,695,840	2,212,211
Change in net pension liability and related deferrals	(154,541)	(330,974)
Change in OPEB obligation and related deferrals	29,690	201,585
(Increase) decrease in accounts receivable	10,329	19,056
(Increase) decrease in prepaid expenses	(55,767)	(66,606)
(Increase) decrease in inventories	(25,384)	(33,381)
Increase (decrease) in accounts payable	341,622	(1,475,431)
Increase (decrease) in accounts payable from restricted assets	(489,196)	1,074,572
Increase (decrease) in payroll, withholdings and payroll taxes	275,666	160,840
Increase (decrease) in accrued vacation and sick leave	100,429	187,544
Increase (decrease) in unearned revenue	(3,696)	3,696
Net cash used for operating activities	<u>\$ (33,255,162)</u>	<u>\$ (30,255,926)</u>

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

B. Organization and Operation

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

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

C. Basis of Accounting and Revenue Recognition

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

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

Operating revenues consist primarily of passenger fares and funds received for special transportation. Operating expenses include the costs of operating the District, including

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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. Cash received before services are rendered is considered unearned. 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. Non-capital federal and state grant revenue are recorded as non-operating revenue when earned.

D. Restricted Assets

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

E. Cash and Investments

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

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

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

F. Inventories

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

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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

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

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

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

I. Vacation and Sick Pay

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

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

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

J. Use of Estimates

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

K. Net Position

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

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

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

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

L. Pensions

The District reports its pension obligations as a Net Pension Liability on the Statement of Net Position for participating employees. Changes in net pension liability are immediately recognized as pension expense on the statement of revenue, expenses, and changes in net position, or reported as deferred inflows/outflows of resources depending on the nature of the change.

M. Deferred Inflows and Outflows of Resources

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

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

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(1) Stewardship, Compliance, and Accountability

For budgeting purposes, the District consists of a General Fund, Capital Improvement Fund, and Special Transportation Fund. This is in conformity with Oregon Budget Law. Budgetary basis revenues and expenditures are recognized on the modified accrual basis. The treatment of capital expenditures is the principal difference between the budgetary basis and the accrual basis. Capital expenditures on a budgetary basis are recorded as 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 Projects 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.

Transportation Programs Fund

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

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

The District legally adopts its annual budget prior to July 1 through passage of a resolution. The resolution authorizes appropriations by fund and at broad classification levels for the Divisions of General Manager/Board of Directors, Administration, Finance, Transportation Development, Communications, Operations, Unallocated – General Administration, and contingency. Expenditures cannot legally exceed appropriations at these control levels. Appropriations that have not been spent at year-end expire.

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

The Board of Directors, by resolution, may amend the budget as originally adopted. Two amendments were made to the budget during the year. The first amendment totaling approximately \$6 million was made to the budget during the year ended June 30, 2020. The purpose of the amendment was to appropriate new COVID-19 pandemic fund resources. The second amendment was to transfer fund appropriations to accurately reflect the Districts reorganization of departments subsequent to budget adoption.

The Capital Projects fund had a deficit fund balance in the amount of \$249,969 at June 30, 2020.

(2) 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, 2020 and 2019 the carrying value of cash and cash equivalents and fair value are approximately equal. At June 30, 2020 and 2019, cash and cash equivalents included in cash and cash equivalents consisted of:

	<u>2020</u>	<u>2019</u>
<i>Cash</i>		
Cash on hand	\$ 6,671	\$ 19,347
Deposits with financial institutions	2,848,062	2,402,744
<i>Investments</i>		
Local government investment pool	<u>15,477,445</u>	<u>10,227,532</u>
 <i>Total cash and cash equivalents</i>	 <u>\$ 18,332,178</u>	 <u>\$ 12,649,623</u>
 Unrestricted cash and cash equivalents	 \$ 18,223,913	 \$ 11,327,415
Restricted cash and cash equivalents	<u>108,265</u>	<u>1,322,208</u>
 <i>Total cash and cash equivalents</i>	 <u>\$ 18,332,178</u>	 <u>\$ 12,649,623</u>

A. Deposits

As of June 30, 2020 and 2019, the book balance of the District's bank deposits (checking accounts) was \$2,848,062 and \$2,402,744 and the bank balance was \$3,600,821 and \$2,985,980 respectively. The difference is due to transactions in process.

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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.

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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.

(3) Restricted Assets

Restricted assets are restricted for capital projects and transportation programs.

	<u>Total Restricted Assets</u>	<u>Less Current Liabilities Payable</u>	<u>Net Restricted Assets (Liabilities)</u>
2020			
Restricted for capital projects			
Cash and cash equivalents	\$ (1,303,239)	\$ (133,710)	\$ (1,436,949)
Federal grants receivable	1,433,472	-	1,433,472
State grants receivable	3,477	-	3,477
<i>Total restricted for capital projects</i>	<u>133,710</u>	<u>(133,710)</u>	<u>-</u>
Restricted for transportation programs			
Cash and cash equivalents	(1,197,728)	(643,824)	(1,841,552)
Federal grants receivable	1,949,817	-	1,949,817
<i>Total restricted for transportation programs</i>	<u>752,089</u>	<u>(643,824)</u>	<u>108,265</u>
	<u>\$ 885,799</u>	<u>\$ (777,534)</u>	<u>\$ 108,265</u>
2019			
Restricted for capital projects			
Cash and cash equivalents	\$ (4,643,233)	\$ (651,234)	\$ (5,294,467)
Federal grants receivable	6,189,981	-	6,189,981
State grants receivable	290,933	-	290,933
<i>Total restricted for capital projects</i>	<u>1,837,681</u>	<u>(651,234)</u>	<u>1,186,447</u>
Restricted for transportation programs			
Cash and cash equivalents	(1,273,199)	(689,629)	(1,962,828)
Federal grants receivable	2,098,589	-	2,098,589
<i>Total restricted for transportation programs</i>	<u>825,390</u>	<u>(689,629)</u>	<u>135,761</u>
	<u>\$ 2,663,071</u>	<u>\$ (1,340,863)</u>	<u>\$ 1,322,208</u>

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(4) Capital Assets

The changes in capital assets for the year ended June 30, 2020 are summarized below:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets, non-depreciable:					
Land	\$ 3,250,691	\$ -	\$ -	\$ -	\$ 3,250,691
Construction in progress	4,828,265	1,672,782	-	(12,280)	6,488,767
Total capital assets, non-depreciable	<u>8,078,956</u>	<u>1,672,782</u>	<u>-</u>	<u>(12,280)</u>	<u>9,739,458</u>
Capital assets, depreciable:					
Buildings and improvements	24,218,322	93,934	-	-	24,312,256
Land improvements	3,899,365	16,479	-	-	3,915,844
Revenue rolling stock	38,212,968	5,019,745	(3,433,897)	-	39,798,816
Equipment	6,016,980	338,979	(21,821)	-	6,334,138
Total capital assets, depreciable	<u>72,347,635</u>	<u>5,469,137</u>	<u>(3,455,718)</u>	<u>-</u>	<u>74,361,054</u>
Less accumulated depreciation:					
Buildings and improvements	(7,191,781)	(538,736)	-	-	(7,730,517)
Land improvements	(727,203)	(135,517)	-	-	(862,720)
Revenue rolling stock	(23,925,210)	(1,845,647)	3,433,897	12,280	(22,324,680)
Equipment	(4,716,634)	(175,940)	21,821	-	(4,870,753)
Total accumulated depreciation	<u>(36,560,828)</u>	<u>(2,695,840)</u>	<u>3,455,718</u>	<u>12,280</u>	<u>(35,788,670)</u>
Net depreciable capital assets	<u>35,786,807</u>	<u>2,773,297</u>	<u>-</u>	<u>12,280</u>	<u>38,572,384</u>
Net capital assets	<u>\$ 43,865,763</u>	<u>\$ 4,446,079</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,311,842</u>

The changes in capital assets for the year ended June 30, 2019 are summarized below:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets, non-depreciable:					
Land	\$ 3,250,691	\$ -	\$ -	\$ -	\$ 3,250,691
Construction in progress	3,169,587	1,658,678	-	-	4,828,265
Total capital assets, non-depreciable	<u>6,420,278</u>	<u>1,658,678</u>	<u>-</u>	<u>-</u>	<u>8,078,956</u>
Capital assets, depreciable:					
Buildings and improvements	24,184,727	33,595	-	-	24,218,322
Land improvements	3,603,608	295,757	-	-	3,899,365
Revenue rolling stock	27,419,366	11,070,133	(276,531)	-	38,212,968
Equipment	5,940,089	76,891	-	-	6,016,980
Total capital assets, depreciable	<u>61,147,790</u>	<u>11,476,376</u>	<u>(276,531)</u>	<u>-</u>	<u>72,347,635</u>
Less accumulated depreciation:					
Buildings and improvements	(6,652,833)	(538,948)	-	-	(7,191,781)
Land improvements	(605,438)	(121,765)	-	-	(727,203)
Revenue rolling stock	(22,863,137)	(1,328,297)	266,224	-	(23,925,210)
Equipment	(4,493,433)	(223,201)	-	-	(4,716,634)
Total accumulated depreciation	<u>(34,614,841)</u>	<u>(2,212,211)</u>	<u>266,224</u>	<u>-</u>	<u>(36,560,828)</u>
Net depreciable capital assets	<u>26,532,949</u>	<u>9,264,165</u>	<u>(10,307)</u>	<u>-</u>	<u>35,786,807</u>
Net capital assets	<u>\$ 32,953,227</u>	<u>\$ 10,922,843</u>	<u>\$ (10,307)</u>	<u>\$ -</u>	<u>\$ 43,865,763</u>

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The federal government retains a reversionary interest in property and equipment to the extent of capital grants provided for their purchase. Upon disposal of property and equipment, a prorated share of proceeds in excess of \$5,000, if any, is returned to the federal governments.

(5) Employee Retirement Plans

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

A. Defined Benefit Plans

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

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

Plan Description

In a defined benefit plan, benefits are determined using benefit formulas which take into account actuarial information. The plans were effective January 1, 2002 and are administered by Pioneer Trust. No separate financial statements are available for these plans. The District’s Board of Directors holds the authority for establishing and amending plan benefits and funding policies for both defined benefit plans.

Benefits Provided

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

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

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

Salem Area Mass Transit District
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Non-Bargaining Plan

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>67</u>
	<u>118</u>

Contributions

The District is in the process of establishing a formal funding policy with the Board of Directors. The Board of Directors has the authority to establish or amend such policies. Currently, the District's contribution rates are actuarially determined and approved and implemented by executive staff. Contributions to the plan are made quarterly according to an actuarially determined rate recommended by an independent actuary. This rate is intended to finance the cost of current benefits earned, plus an amount to finance the unfunded accrued liability. This rate, expressed as a percentage of covered payroll was, 16.94 percent and 16.32 percent for the years ended June 30, 2020 and 2019, respectively.

The District makes additional level dollar contribution to further reduce the unfunded accrued liability. For the years ended June 30, 2020 and 2019, that amount was \$386,331 and \$35,215 respectively.

Net Pension Liability

The District's net pension liability for the non-bargaining plan at June 30, 2020, was measured as of that date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019.

The District's net pension liability for the non-bargaining plan at June 30, 2019 was measured as of that date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Methods and Assumptions

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation rate:	2.75%
Salary increases:	4.25% for first 5 years of service; 3.25% thereafter
Investment rate of return:	5.50%
Mortality:	RP-2014 tables, generationally projected using Scale MP-2019

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The non-bargaining plan recently adopted a change to the pre-retirement death benefit which was included in the July 1, 2017 valuation. The pre-retirement death benefit was changed from 50% of the participant's accrued benefit to the survivor benefit payable under 100% Joint and Survivor annuity option as if elected on the participant's date of death.

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of January 1, 2020:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Cash	2.70%	-0.82%
Core Fixed Income	37.80%	0.27%
Non-US Fixed Income	9.50%	-0.15%
Large Cap US Equities	18.00%	4.44%
Small Cap US Equities	4.00%	6.04%
Mid Cap US Equities	6.00%	4.95%
Developed Foreign Equities	16.20%	5.98%
Emerging Market Equities	2.80%	8.07%
Small Cap Foreign Equities	3.00%	6.62%
	100.00%	
		5.50%

Rate of Return

For the years ended June 30, 2020 and 2019, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.56 percent and 4.56 percent. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Salem Area Mass Transit District
Notes to the Basic Financial Statements
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Discount rate

The discount rate is used to measure the total pension liability. The discount rate was 5.50 percent and 6.00 percent for the years ended June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the current contribution rate. The actuarially determined contribution rate is based on a closed amortization period, which means that payment of the actuarially determined contribution each year will bring the plan to a 100% funded position by the end of the amortization period. Plan assets are assumed to earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2019	\$ 8,463,692	\$ 7,180,423	\$ 1,283,269
Changes for the year:			
Service cost	118,278	-	118,278
Interest on total pension liability	493,175	-	493,175
Effect of economic/demographic gains or losses	495,674	-	495,674
Effect of assumption changes or inputs	864,645	-	864,645
Benefit payments	(735,498)	(735,498)	-
Employer contributions	-	811,492	(811,492)
ICMA transfers	-	611,541	(611,541)
Net investment income	-	268,497	(268,497)
Balance at June 30, 2020	<u>\$ 9,699,966</u>	<u>\$ 8,136,455</u>	<u>\$ 1,563,511</u>

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2018	\$ 8,508,461	\$ 6,716,310	\$ 1,792,151
Changes for the year:			
Service cost	111,583	-	111,583
Interest on total pension liability	497,862	-	497,862
Benefit payments	(654,214)	(654,214)	-
Employer contributions	-	701,679	(701,679)
ICMA transfers	-	104,606	(104,606)
Net investment income	-	312,042	(312,042)
Balance at June 30, 2019	<u>\$ 8,463,692</u>	<u>\$ 7,180,423</u>	<u>\$ 1,283,269</u>

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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

The following presents the net pension liability of the District, calculated using a discount rate of 5.50 percent and 6.00 percent for FY2020 and FY2019, respectively, as well as what the District's net pension liability would be if it were calculated using a discount rate of one percentage point lower or one percentage point higher than the rate used:

	Net Pension Liability	
	2020	2019
1% decrease (4.50%, 5.00%)	\$ 3,277,981	\$ 2,722,934
Current discount rate (5.50%, 6.00%)	1,563,511	1,283,269
1% increase (6.50%, 7.00%)	178,415	133,894

Pension Plan Fiduciary Net Position

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

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

For the years ended June 30, 2020 and 2019, the District recognized pension expense of \$837,580 and \$510,436, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2020:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 433,877
Changes of assumptions	-	656,310
Net difference between projected and actual earnings	-	176,421
Total	\$ -	\$ 1,266,608

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

Year ended June 30:	
2021	\$ 522,351
2022	457,775
2023	249,952
2024	36,530
	<u>\$ 1,266,608</u>

Salem Area Mass Transit District
Notes to the Basic Financial Statements
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Bargaining Plan

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	97
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>121</u>
	<u><u>234</u></u>

Contributions

The District is in the process of establishing a formal funding policy with the Board of Directors. The Board of Directors has the authority to establish or amend such policies. Currently, the District's contribution rates are actuarially determined and approved and implemented by the executive staff. Contributions to the plan are made quarterly according to an actuarially determined rate recommended by an independent actuary. This rate is intended to finance the cost of current benefits earned, plus an amount to finance the unfunded accrued liability. This rate, expressed as a percentage of covered payroll was, 33.63 percent and 31.58 percent for the years ended June 30, 2020 and 2019, respectively.

Net Pension Liability

The District's net pension liability for the bargaining plan at June 30, 2020, was measured as of that date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019.

The District's net pension liability for the bargaining plan at June 30, 2019, was measured as of that date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Methods and Assumptions

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation rate:	2.75%
Salary increases:	4.25% for first 5 years of service; 3.25% thereafter
Investment rate of return:	5.50%
Mortality:	RP-2014 tables, generationally projected using Scale MP-2019

The bargaining plan recently adopted a change to the pre-retirement death benefit which was included in the July 1, 2017 valuation. The pre-retirement death benefit was changed from 50% of the participant's accrued benefit to the survivor benefit payable under 100% Joint and Survivor annuity option as if elected on the participant's date of death.

Salem Area Mass Transit District
Notes to the Basic Financial Statements
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The bargaining pension plan does not provide for automatic, post-retirement benefit increases. No ad hoc increases have ever been adopted.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of January 1, 2020:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Cash	2.70%	-0.82%
Core Fixed Income	37.80%	0.27%
Non-US Fixed Income	9.50%	-0.15%
Large Cap US Equities	18.00%	4.44%
Small Cap US Equities	4.00%	6.04%
Mid Cap US Equities	6.00%	4.95%
Developed Foreign Equities	16.20%	5.98%
Emerging Market Equities	2.80%	8.07%
Small Cap Foreign Equities	3.00%	6.62%
	100.00%	
		5.50%

Rate of Return

For the years ended June 30, 2020 and 2019, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.78 percent and 4.36 percent. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate is used to measure the total pension liability. The discount rate was 5.50 percent and 6.00 percent for the years ended June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the current contribution rate. The actuarially determined contribution rate is based on a closed amortization period, which means that payment of the actuarially determined contribution each year will bring the plan to a 100% funded position by the end of the amortization period. Plan assets are assumed to earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees.

Salem Area Mass Transit District
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Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2019	\$ 25,098,434	\$ 21,489,986	\$ 3,608,448
Changes for the year:			
Service cost	889,836	-	889,836
Interest on total pension liability	1,524,050	-	1,524,050
Effect of economic/demographic gains or losses	782,840	-	782,840
Effect of assumption changes or inputs	1,923,173	-	1,923,173
Benefit payments	(1,192,203)	(1,192,203)	-
Employer contributions	-	2,274,734	(2,274,734)
ICMA transfers	-	102,957	(102,957)
Net investment income	-	840,521	(840,521)
Balance at June 30, 2020	\$ 29,026,130	\$ 23,515,995	\$ 5,510,135

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2018	\$ 23,919,367	\$ 19,397,716	\$ 4,521,651
Changes for the year:			
Service cost	839,468	-	839,468
Interest on total pension liability	1,452,626	-	1,452,626
Benefit payments	(1,113,027)	(1,113,027)	-
Employer contributions	-	2,221,893	(2,221,893)
ICMA transfers	-	110,256	(110,256)
Net investment income	-	873,148	(873,148)
Balance at June 30, 2019	\$ 25,098,434	\$ 21,489,986	\$ 3,608,448

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

The following presents the net pension liability of the District, calculated using a discount rate of 5.50 percent and 6.00 percent for FY2020 and FY2019, as well as what the District's net pension liability would be if it were calculated using a discount rate of one percentage point lower or one percentage point higher than the rate used:

	Net Pension Liability	
	2020	2019
1% decrease (4.50%, 5.00%)	\$ 9,075,096	\$ 6,550,598
Current discount rate (5.50%, 6.00%)	5,510,135	3,608,448
1% increase (6.50%, 7.00%)	2,505,081	1,095,003

Salem Area Mass Transit District
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Pension Plan Fiduciary Net Position

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

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

For the years ended June 30, 2020 and 2019, the District recognized pension expense of \$2,000,923 and \$1,362,919, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2020:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 880,878
Changes of assumptions	-	1,688,595
Net difference between projected and actual earnings	-	503,368
Total	<u>\$ -</u>	<u>\$ 3,072,841</u>

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

Year ended June 30:	
2021	\$ 983,491
2022	916,782
2023	775,118
2024	397,450
	<u>\$ 3,072,841</u>

B. Defined Contribution Plan

Plan Description

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

Benefits Provided

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

Salem Area Mass Transit District
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Contributions

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. For the years ended June 30, 2020 and 2019, employer contributions recognized as expense were \$545,096 and \$466,604, respectively.

(6) 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.

Non-Bargaining Employees Covered by Benefit Terms:

Active employees	67
Eligible retirees	4
Spouses of ineligible retirees	-
	<u>71</u>

Bargaining Employees Covered by Benefit Terms:

Active employees	121
Eligible retirees	11
Spouses of ineligible retirees	-
	<u>132</u>

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

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

Salem Area Mass Transit District
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B. Funding Policy

The District collects insurance premiums, net of applied explicit benefits, from all retirees each month. The District then pays health insurance premiums for all retirees at the blended rate for each family classification. The required contribution to the plan included the employer's pay-as-you-go amount, an amount paid by retirees and an additional amount calculated to prefund future benefits as determined by the actuary. The District has elected to not pre-fund the actuarially determined future cost. The amount paid by the District for retirees, and eligible retiree spouses, healthcare for the years ended June 30, 2020 and 2019 was \$126,151 and \$145,135 respectively.

C. Total OPEB Liability, OPEB Expense and OPEB-Related Deferrals

As of June 30, 2020, the District reported a total OPEB liability of \$3,489,227, based on a July 1, 2019 actuarial valuation, rolled forward to the measurement date of June 30, 2020. For the years ended June 30, 2020 and 2019, the District recognized OPEB expense of \$29,690 and \$201,585, respectively.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 152,318
Changes of assumptions or inputs	(1,670,018)	-
Benefit payments	-	250,680
Total	<u>\$ (1,670,018)</u>	<u>\$ 402,998</u>

The \$1,517,700 net deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$ (248,261)
2022	(248,261)
2023	(248,261)
2024	(248,261)
2025	(248,257)
Thereafter	(276,399)
	<u>\$ (1,517,700)</u>

Salem Area Mass Transit District
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D. Actuarial Methods and Assumptions

The actuarial cost method used is the entry age normal actuarial cost method with level percentage of pay allocation. In order to apply this method, projected benefit payments are determined for each active employee and retiree. These projected benefit payments are the net benefits estimated to be payable in all future years. The net benefits for a particular year are the difference between the total cost of benefits and the portion of the benefits paid by the retirees in that year.

The discount rate is a single rate of return that is applied to the projected benefit payments in order to calculate the present value of benefits. Under GASB 75, for plans without assets, the discount rate is equal to a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate is determined as of each measurement date.

The present value of benefits is then allocated over the service of each active employee from their date of hire to their expected retirement age, as a level percent of the employee's projected pay, as required under GASB 75. This level percent multiplied by expected pay is referred to as the service cost, and is that portion of the present value of benefits attributable to an employee's service in a given year. The service cost equals \$0 for retirees. For purposes of projecting benefits prior to the valuation date as required by the actuarial cost method, we assumed a health cost trend equal to the ultimate health cost trend rate.

The total OPEB liability is the portion of the present value of benefits that is attributable to employee service prior to the valuation date. For retirees, the total OPEB liability equals the present value of benefits.

The total OBEP liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation rate:	2.75%
Salary increases:	3.00%
Actuarial valuation method:	Entry age normal level percent of salary
Mortality:	RP-2014 sex-distinct Morality Tables, set forward one year, generationally projected using Scale MP-2019

Salem Area Mass Transit District
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E. Changes in the Total OPEB Liability

	<u>2020</u>	<u>2019</u>
Total OPEB Liability		
Total OPEB liability, beginning of year	\$4,703,440	\$4,552,588
Service cost	338,583	341,677
Interest on total OPEB liability	190,048	170,676
Effect of economic/demographic gains or losses	176,496	-
Effect of assumption changes	(1,654,383)	(105,689)
Benefit payments	<u>(264,957)</u>	<u>(255,812)</u>
Net change in total OPEB liability	(1,214,213)	150,852
Total OPEB liability, ending of year	<u><u>\$ 3,489,227</u></u>	<u><u>\$ 4,703,440</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate, using rates that are 1% lower or 1% higher than the current rate, are shown in the following chart:

Discount rate:

	OPEB Liability	
	<u>2020</u>	<u>2019</u>
1% decrease (1.21%, 2.87%)	\$ 3,761,711	\$ 5,076,065
Current discount rate (2.21%, 3.87%)	3,489,227	4,703,440
1% increase (3.21%, 4.87%)	3,238,133	4,360,774

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate, using rates that are 1% lower or 1% higher than the current rate, are shown in the following chart:

Healthcare cost trend rate:

	OPEB Liability	
	<u>2020</u>	<u>2019</u>
1% decrease (5.00%, 5.00%)	\$ 3,137,874	\$ 4,227,239
Current trend rate (6.00%, 6.00%)	3,489,227	4,703,440
1% increase (7.00%, 7.00%)	3,902,086	5,263,041

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(7) Tax Abatement

The District's property taxes were reduced by \$92,930 in FY20 under agreements entered into by other governments.

<u>Authorizing Government</u>	<u>Exemption Program</u>	<u>District's Share Taxes Abated</u>
Salem Enterprise Zone (City of Salem)	Enterprise Zone (ORS 285C)	\$ 24,991
Marion County	Charitable Low Income Rental Housing (ORS 307.541)	17,008
City of Salem	Multiple Unit Housing (ORS 307.600 to 637)	19,830
State of Oregon	Historical Property (ORS 358.475 to 565)	31,101
		<u>\$ 92,930</u>

The District's property taxes were reduced by \$76,188 in FY19 under agreements entered into by other governments.

<u>Authorizing Government</u>	<u>Exemption Program</u>	<u>District's Share Taxes Abated</u>
Salem Enterprise Zone (City of Salem)	Enterprise Zone (ORS 285C)	\$ 27,816
Marion County	Charitable Low Income Rental Housing (ORS 307.541)	3,448
City of Salem	Multiple Unit Housing (ORS 307.600 to 637)	12,459
State of Oregon	Historical Property (ORS 358.475 to 565)	32,465
		<u>\$ 76,188</u>

(8) 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.

(9) 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.

(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.

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

(11) Subsequent Events

Management has evaluated subsequent events through January 31, 2021, the date on which the financial statements were available to be issued. As a result of the recent coronavirus pandemic (COVID-19), numerous sectors of the economy are suffering damage and the long-term economic and business consequences of this remain unknown. The extent to which this will impact the District is uncertain.

Subsequent to year end, the District received \$571,086 in reimbursement basis COVID-19 relief funding for expenditures through January 31, 2021.



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Required Supplementary Information



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Salem Area Mass Transit District
Schedule of Changes in the Net Pension Liability and Related Ratios, Non-Bargaining
For the Years Ended June 30, 2020 and 2019

Defined Benefit Pension Plan - Non-Bargaining (in 1,000s)							
Last 10 Fiscal Years ¹ Fiscal Year ending June 30							
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 118	\$ 111	\$ 83	\$ 59	\$ 55	\$ 68	\$ 63
Interest on total pension liability	493	498	476	483	486	437	437
Effect of plan changes	-	-	-	-	4	-	-
Effect of economic/demographic gains or losses	496	-	422	-	771	-	-
Effect of assumption changes or inputs	865	-	-	555	284	-	-
Benefit payments	(735)	(654)	(635)	(595)	(579)	(527)	(490)
Net change in total pension liability	1,237	(45)	345	501	1,021	(22)	10
Total pension liability, beginning	8,462	8,507	8,162	7,661	6,640	6,662	6,652
Total pension liability, ending (a)	<u>\$ 9,699</u>	<u>\$ 8,462</u>	<u>\$ 8,507</u>	<u>\$ 8,162</u>	<u>\$ 7,661</u>	<u>\$ 6,640</u>	<u>\$ 6,662</u>
Fiduciary Net Position							
Employer contributions	\$ 811	\$ 702	\$ 644	\$ 567	\$ 473	\$ 451	\$ 1,069
ICMA transfers	612	104	340	134	152	334	111
Investment income net of investment expenses	268	312	306	620	(119)	76	520
Benefit payments	(735)	(654)	(635)	(594)	(579)	(527)	(490)
Net change in plan fiduciary position	956	464	655	727	(73)	334	1,210
Fiduciary net position, beginning	7,180	6,716	6,061	5,334	5,407	5,073	3,863
Fiduciary net position, ending (b)	<u>\$ 8,136</u>	<u>\$ 7,180</u>	<u>\$ 6,716</u>	<u>\$ 6,061</u>	<u>\$ 5,334</u>	<u>\$ 5,407</u>	<u>\$ 5,073</u>
Net pension liability, ending = (a)-(b)	<u>\$ 1,563</u>	<u>\$ 1,282</u>	<u>\$ 1,791</u>	<u>\$ 2,101</u>	<u>\$ 2,327</u>	<u>\$ 1,233</u>	<u>\$ 1,589</u>
Fiduciary net position as a % of total pension liability	83.84%	84.84%	78.94%	74.25%	69.63%	81.43%	76.15%
Covered payroll	\$ 4,790	\$ 4,300	\$ 4,175	\$ 3,512	\$ 3,449	\$ 3,572	\$ 3,684
Net pension liability as a % of covered payroll	32.64%	29.85%	42.93%	59.84%	67.46%	34.52%	43.13%

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



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Salem Area Mass Transit District
Schedule of Employer Contributions – Defined Benefit Plan – Non-Bargaining
For the Years Ended June 30, 2020 and 2019

<u>Fiscal Year</u> <u>Ending</u> <u>June 30</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution</u> <u>as a % of</u> <u>Covered Payroll</u>
2011	\$ 511,342	\$ 391,913	\$ 119,429	\$ 3,478,516	11.27%
2012	544,976	316,025	228,951	3,707,321	8.52%
2013	418,720	704,449	(285,729)	3,323,178	21.20%
2014	464,148	1,069,000	(604,852)	3,683,712	29.02%
2015	400,040	450,685	(50,645)	3,571,786	12.62%
2016	386,311	472,904	(86,593)	3,449,206	13.71%
2017	512,754	566,742	(53,988)	3,512,016	16.14%
2018	609,482	644,325	(34,843)	4,174,534	15.43%
2019	666,464	701,679	(35,215)	4,299,770	16.32%
2020	425,161	811,492	(386,331)	4,790,477	16.94%

Notes to Schedule:

Valuation date: 7/1/2019

Investment rate of return assumption: 6.00%

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal

Amortization method: Level dollar

Type of period: Layered (each base is amortized over a separate closed period)

Amortization period at 7/1/19: 12 years

Amortization growth rate: 0.00%

Asset valuation method: Fair value

Inflation: 2.75%

Salary increases: 4.25% for first 5.5 year of service; 3.25% thereafter

Investment rate of return: 6.00%

Cost of living adjustments: None

Turnover: Service based

Mortality: RP-2014 tables, generationally projected using Scale MP-2019

Salem Area Mass Transit District
Schedule of Changes in the Net Pension Liability and Related Ratios, Bargaining
For the Years Ended June 30, 2020 and 2019

Defined Benefit Pension Plan - Bargaining (in 1,000s) Last 10 Fiscal Years ¹ Fiscal Year ending June 30							
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 889	\$ 839	\$ 714	\$ 608	\$ 571	\$ 572	\$ 535
Interest on total pension liability	1,524	1,453	1,350	1,317	1,252	1,158	1,089
Effect of plan changes	-	-	-	-	63	-	-
Effect of economic/demographic gains or losses	783	-	594	-	714	-	-
Effect of assumption changes or inputs	1,924	-	-	1,198	373	-	-
Benefit payments	(1,192)	(1,113)	(1,058)	(896)	(818)	(738)	(564)
Net change in total pension liability	3,928	1,179	1,600	2,227	2,155	992	1,060
Total pension liability, beginning	25,098	23,919	22,319	20,092	17,937	16,945	15,885
Total pension liability, ending (a)	\$ 29,026	\$ 25,098	\$ 23,919	\$ 22,319	\$ 20,092	\$ 17,937	\$ 16,945
Fiduciary Net Position							
Employer contributions	\$ 2,274	\$ 2,222	\$ 1,846	\$ 1,778	\$ 1,470	\$ 1,374	\$ 2,363
ICMA transfers	103	110	305	154	62	389	94
Investment income net of investment expenses	841	873	893	1,751	(313)	205	1,331
Benefit payments	(1,192)	(1,113)	(1,058)	(896)	(818)	(738)	(564)
Net change in plan fiduciary position	2,026	2,092	1,986	2,787	401	1,230	3,224
Fiduciary net position, beginning	21,490	19,398	17,412	14,625	14,224	12,994	9,770
Fiduciary net position, ending (b)	\$ 23,516	\$ 21,490	\$ 19,398	\$ 17,412	\$ 14,625	\$ 14,224	\$ 12,994
Net pension liability, ending = (a)-(b)	\$ 5,510	\$ 3,608	\$ 4,521	\$ 4,907	\$ 5,467	\$ 3,713	\$ 3,951
Fiduciary net position as a % of total pension liability	81.02%	85.62%	81.10%	78.01%	72.79%	79.30%	76.68%
Covered payroll	\$ 6,763	\$ 7,035	\$ 6,830	\$ 5,912	\$ 5,883	\$ 5,633	\$ 6,210
Net pension liability as a % of covered payroll	81.47%	51.29%	66.20%	83.00%	92.93%	65.92%	63.62%

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



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**Salem Area Mass Transit District
Schedule of Employer Contributions – Defined Benefit Plan - Bargaining
For the Years Ended June 30, 2020 and 2019**

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2011	\$1,316,567	\$1,172,427	\$ 144,140	\$5,903,889	19.86%
2012	1,336,104	1,352,215	(16,111)	5,991,497	22.57%
2013	1,310,605	1,314,866	(4,261)	5,850,916	22.47%
2014	1,403,446	2,362,838	(959,392)	6,209,939	38.05%
2015	1,385,691	1,374,052	11,639	5,632,890	24.39%
2016	1,447,252	1,470,050	(22,798)	5,883,137	24.99%
2017	1,620,016	1,778,155	(158,139)	5,912,467	30.07%
2018	1,871,550	1,846,814	24,736	6,830,475	27.04%
2019	2,075,440	2,221,893	(146,453)	7,035,389	31.58%
2020	1,615,959	2,274,734	(658,775)	6,763,144	33.63%

Notes to Schedule:

Valuation date: 7/1/2019

Investment rate of return assumption: 6.00%

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal

Amortization method: Level dollar

Type of period: Layered (each base is amortized over a separate closed period)

Amortization period at 7/1/19: 12 years

Amortization growth rate: 0.00%

Asset valuation method: Fair value

Inflation: 2.75%

Salary increases: 4.25% for first 5.5 year of service; 3.25% thereafter

Investment rate of return: 6.00%

Cost of living adjustments: None

Turnover: Service based

Mortality: RP-2014 tables, generationally projected using Scale MP-2019

Salem Area Mass Transit District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Years Ended June 30, 2020 and 2019

Schedule of Changes in the Total OPEB Liability and Related Ratios

(in 1,000s)

Last 10 Fiscal Years¹

Fiscal Year ending June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Total OPEB liability, beginning of year	\$ 4,703	\$ 4,553	\$ 4,591
Service cost	339	342	373
Interest on total OPEB liability	190	171	137
Effect of economic/demographic gains or losses	176	-	-
Effect of assumption changes or inputs	(1,654)	(106)	(261)
Benefit payments	<u>(265)</u>	<u>(256)</u>	<u>(289)</u>
Net change in total OPEB liability	(1,214)	151	(39)
Total OPEB liability, ending of year	<u>\$ 3,488</u>	<u>\$ 4,703</u>	<u>\$ (4,553)</u>
Covered payroll	\$ 11,554	\$ 11,335	\$ 11,005
Total OPEB liability as a % of covered payroll	30.20%	41.49%	41.37%

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



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Supplementary Information

BUDGETARY COMPARISON SCHEDULES

Pursuant to the provision of Oregon Revised Statutes, an individual schedule of revenues, expenditures, and changes in fund balance – balance and actual be displayed for each fund where legally adopted budgets are required.

Enterprise Budgetary Comparison schedules include the following:

- General Fund
- Capital Projects Fund
- Transportation Programs Fund



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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 Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		
Revenues				
Local revenue				
Passenger fares, passes & other fixed route services	\$ 2,690,232	\$ 2,690,232	\$ 1,771,170	\$ (919,062)
Property taxes	12,660,092	12,660,092	12,962,119	302,027
Advertising & other promotions	100,000	100,000	125,324	25,324
Courthouse square rentals	-	-	77,013	77,013
Earnings on investments	295,800	295,800	313,677	17,877
Miscellaneous	157,653	157,653	273,008	115,355
Total local revenue	<u>15,903,777</u>	<u>15,903,777</u>	<u>15,522,311</u>	<u>(381,466)</u>
State revenue				
STIF funds	6,747,099	6,747,099	5,100,201	(1,646,898)
State in lieu taxes	6,289,276	6,289,276	7,193,870	904,594
Total state revenue	<u>13,036,375</u>	<u>13,036,375</u>	<u>12,294,071</u>	<u>(742,304)</u>
Federal revenue				
Urbanized area formula (Section 5307)	5,660,325	11,099,189	7,247,037	(3,852,152)
Energy tax credits	225,000	225,000	-	(225,000)
FTA metropolitan & statewide planning (5303)	120,903	120,903	120,729	(174)
Formula grants for other than urbanized areas (5311)	-	7,193	6,478	(715)
Corona virus relief fund	-	19,202	140,314	121,112
Total federal revenue	<u>6,006,228</u>	<u>11,471,487</u>	<u>7,514,558</u>	<u>(3,956,929)</u>
Total revenues	<u>34,946,380</u>	<u>40,411,639</u>	<u>35,330,940</u>	<u>(5,080,699)</u>
Expenditures				
General Manager/Board of Directors/SI	632,987	874,673	790,815	83,858
Administration	898,065	982,938	916,987	65,951
Finance and Technology	1,439,427	2,921,878	2,684,118	237,760
Communication	2,021,238	2,215,238	1,788,153	427,085
Transportation Development	2,722,071	-	-	-
Operations	22,327,853	28,512,173	21,713,351	6,798,822
Unallocated	1,170,787	1,170,787	1,090,989	79,798
Contingency	1,500,000	1,500,000	-	1,500,000
Total expenditures	<u>32,712,428</u>	<u>38,177,687</u>	<u>28,984,413</u>	<u>9,193,274</u>
Excess (deficiency) of revenues over expenditures	2,233,952	2,233,952	6,346,527	4,112,575
Other financing sources (uses)				
Transfer out to other funds	-	-	(1,569,609)	(1,569,609)
Net change in fund balance	2,233,952	2,233,952	4,776,918	2,542,966
Fund balance, beginning of year	<u>24,547,637</u>	<u>24,547,637</u>	<u>22,158,824</u>	<u>(2,388,813)</u>
Fund balance, end of year	<u>\$ 26,781,589</u>	<u>\$ 26,781,589</u>	<u>\$ 26,935,742</u>	<u>\$ 154,153</u>

Salem Area Mass Transit District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual On A Non-GAAP Budgetary Basis – Capital Projects Fund
For the Year Ended June 30, 2020

Revenues	Budget		Actual	Variance
	Original	Final		
State Revenue				
STIF funds	\$ 1,381,463	\$ 1,381,463	\$ 227,881	\$ (1,153,582)
Miscellaneous income	537,363	537,363	-	(537,363)
Total state revenue	<u>1,918,826</u>	<u>1,918,826</u>	<u>227,881</u>	<u>(1,690,945)</u>
Federal revenue				
Urbanized area formula (Section 5307)	2,810,765	2,810,765	429,751	(2,381,014)
Federal STP Funds	5,552,075	5,552,075	1,699,528	(3,852,547)
Transportation for elderly persons and persons with disabilities (5310)	484,542	484,542	207,183	(277,359)
Bus & Bus Facilities Infrastructure Investment Program (5339)	1,874,965	1,874,965	2,477,924	602,959
Discretionary grants - section (5309)	1,234,398	1,234,398	538,774	(695,624)
Federal Flex Funds	-	-	98,032	98,032
Total federal revenue	<u>11,956,745</u>	<u>11,956,745</u>	<u>5,451,192</u>	<u>(6,505,553)</u>
Other revenue				
Insurance Settlement	-	-	10,023	10,023
Total revenues	<u>13,875,571</u>	<u>13,875,571</u>	<u>5,689,096</u>	<u>(8,186,475)</u>
Expenditures				
Finance and Technology	310,000	898,740	101,943	796,797
Transportation Development	6,666,071	-	-	-
Operations	9,442,463	9,442,463	5,748,511	3,693,952
General Manager/Board/SI	-	6,077,331	1,287,058	4,790,273
Total expenditures	<u>16,418,534</u>	<u>16,418,534</u>	<u>7,137,512</u>	<u>9,281,022</u>
Excess (deficiency) of revenues over expenditures	(2,542,963)	(2,542,963)	(1,448,416)	(17,467,497)
Other financing sources (uses)				
Transfer from general fund	12,000	12,000	12,000	-
Net change in fund balance	(2,530,963)	(2,530,963)	(1,436,416)	1,094,547
Fund balance, beginning of year	<u>2,530,963</u>	<u>2,530,963</u>	<u>1,186,447</u>	<u>(1,344,516)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (249,969)</u>	<u>\$ (249,969)</u>

Salem Area Mass Transit District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual On A Non-GAAP Budgetary Basis – Transportation Programs Fund
For the Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		
Revenues				
Local revenue				
Passenger fares	\$ 537,265	\$ 537,265	\$ 284,969	\$ (252,296)
Miscellaneous income	-	-	2,438	2,438
Total local revenue	<u>537,265</u>	<u>537,265</u>	<u>287,407</u>	<u>(249,858)</u>
State revenue				
Special transportation fund program (ODOT)	949,508	993,486	996,360	2,874
STIF funds	<u>1,744,366</u>	<u>1,700,388</u>	<u>1,217,679</u>	<u>(482,709)</u>
Total state revenue	<u>2,693,874</u>	<u>2,693,874</u>	<u>2,214,039</u>	<u>(479,835)</u>
Federal revenue				
Developmental disabilities transportation services (DD53)	2,439,446	2,439,446	1,850,146	(589,300)
Transportation for elderly persons and persons with disabilities (5310)	1,205,195	1,205,195	959,172	(246,023)
Formula grants for other than urbanized areas (5311)	364,155	448,378	392,606	(55,772)
Rideshare/TDM grant	424,834	424,834	344,184	(80,650)
Corona virus relief fund	-	-	59,581	59,581
Urbanized area formula (Section 5307)	<u>1,628,653</u>	<u>2,106,303</u>	<u>1,287,944</u>	<u>(818,359)</u>
Total federal revenue	<u>6,062,283</u>	<u>6,624,156</u>	<u>4,893,633</u>	<u>(1,730,523)</u>
Total revenues	<u>9,293,422</u>	<u>9,855,295</u>	<u>7,395,079</u>	<u>(2,460,216)</u>
Expenditures				
Communication	-	420,070	344,184	75,886
Transportation Development	1,371,577	-	-	-
General Manager/Board/SI	-	951,507	568,550	382,957
Operations	<u>8,898,272</u>	<u>9,460,145</u>	<u>7,890,395</u>	<u>1,569,750</u>
Total expenditures	<u>10,269,849</u>	<u>10,831,722</u>	<u>8,803,129</u>	<u>2,028,593</u>
Excess (deficiency) of revenues over expenditures	(976,427)	(976,427)	(1,408,050)	(4,488,809)
Other financing sources (uses)				
Transfer from general fund	<u>1,557,609</u>	<u>1,557,609</u>	<u>1,557,609</u>	<u>-</u>
Net change in fund balance	581,182	581,182	149,559	(431,623)
Fund balance, beginning of year	<u>(581,182)</u>	<u>(581,182)</u>	<u>210,639</u>	<u>791,821</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,198</u>	<u>\$ 360,198</u>

**Salem Area Mass Transit District
Schedule of Expenditure Comparison
Budgetary Division Basis vs Object Classification Basis
For the Year Ended June 30, 2020**

	General Fund	Capital Project Fund	Transportation Programs Fund	District Wide Total
Expenditures by Division				
General Manager/Board of Directors/SI Administration	\$ 790,815	\$ 1,287,058	\$ 568,550	\$ 2,646,423
Administration	916,987	-	-	916,987
Finance and Technology	2,684,118	101,943	-	2,786,061
Communication	1,788,153	-	344,184	2,132,337
Operations	21,713,351	5,748,511	7,890,395	35,352,257
Unallocated	1,090,989	-	-	1,090,989
Total expenditures	<u>\$ 28,984,413</u>	<u>\$ 7,137,512</u>	<u>\$ 8,803,129</u>	<u>\$ 44,925,054</u>
Expenditures by Object Classification				
Personnel services	\$ 23,780,755	\$ 15,034	\$ 1,044,636	\$ 24,840,425
Materials and services	5,203,658	80,062	7,758,493	13,042,213
Capital outlay	-	7,042,416	-	7,042,416
Total expenditures	<u>\$ 28,984,413</u>	<u>\$ 7,137,512</u>	<u>\$ 8,803,129</u>	<u>\$ 44,925,054</u>

Salem Area Mass Transit District
Reconciliation of Net Change in Fund Balance on a Non-GAAP Budgetary Basis to
Changes in Net Position on a GAAP Basis
For the Year Ended June 30, 2020

Net change in fund balance:	
General fund	\$ 4,776,918
Capital projects fund	(1,436,416)
Transportation programs fund	<u>149,559</u>
Total change in fund balance	3,490,061
GAAP basis adjustments:	
Capitalized capital assets	7,141,919
Depreciation expense	(2,695,840)
Accrued wages payable	(100,426)
Net pension liability including related deferrals	250,777
Property taxes accrual	(6,798)
Total OPEB liability adjustment including related deferrals	<u>(29,690)</u>
Change in net position	<u><u>\$ 8,050,003</u></u>

Salem Area Mass Transit District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Capital Projects on a Non-GAAP Budget Basis
For the Year Ended June 30, 2020

	Capital Project Administration	Del Webb Facility Improvements	ADA Assessment Center	Cherriots Local Vehicles	Cherriots Lift Vehicles
Revenues					
State Revenue					
STIF funds	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenue					
Urbanized area formula (Section 5307)	-	173,601	-	24,143	-
Federal STP Funds	-	-	-	1,434,519	-
Transportation for elderly persons and persons with disabilities (5310)	-	-	-	-	-
Bus & Bus Facilities Infrastructure Investment Program (5339)	-	-	-	2,474,563	-
Discretionary grants - section (5309)	-	-	-	-	-
Federal Flex Funds	-	-	-	98,032	-
Total federal revenue	-	173,601	-	4,031,257	-
Other revenue					
Insurance Settlement	-	-	-	-	10,023
Total revenues	-	173,601	-	4,031,257	10,023
Expenditures					
Personnel services	-	306	-	-	-
Materials and services	-	-	-	10,138	1,162
Capital outlay	-	302,372	-	5,139,357	-
Total expenditures	-	302,678	-	5,149,495	1,162
Excess (deficiency) of revenues over expenditures	-	(129,077)	-	(1,118,238)	8,861
Other financing sources (uses)					
Transfer from general fund	-	12,000	-	-	-
Net change in fund balance	-	(117,077)	-	(1,118,238)	8,861
Fund balance, beginning of year	39,386	7,674	2,010	332,763	75,126
Fund balance, end of year	\$ 39,386	\$ (109,403)	\$ 2,010	\$ (785,475)	\$ 83,987

Regional Vehicles	Shop and Ride Vehicles	Keizer Transit Center	South Salem Transit Center	Bus Stop Improvements	Regional Stop Improvements	Technology Equipment	Downtown Transit Center	Courthouse Square Improvements	Total Capital Projects Fund
\$ 221,402	\$ -	\$ -	\$ -	\$ -	\$ 6,479	\$ -	\$ -	\$ -	\$ 227,881
-	-	-	-	-	-	189,051	42,956	-	429,751
-	-	-	-	110,923	-	154,086	-	-	1,699,528
138,323	68,860	-	-	-	-	-	-	-	207,183
-	-	3,361	-	-	-	-	-	-	2,477,924
-	-	538,774	-	-	-	-	-	-	538,774
-	-	-	-	-	-	-	-	-	98,032
<u>138,323</u>	<u>68,860</u>	<u>542,135</u>	<u>-</u>	<u>110,923</u>	<u>-</u>	<u>343,137</u>	<u>42,956</u>	<u>-</u>	<u>5,451,192</u>
-	-	-	-	-	-	-	-	-	10,023
<u>359,725</u>	<u>68,860</u>	<u>542,135</u>	<u>-</u>	<u>110,923</u>	<u>6,479</u>	<u>343,137</u>	<u>42,956</u>	<u>-</u>	<u>5,689,096</u>
-	-	2,977	-	-	5,096	6,655	-	-	15,034
988	984	94	586	61,356	4,754	-	-	-	80,062
<u>153,350</u>	<u>76,308</u>	<u>785,470</u>	<u>-</u>	<u>92,115</u>	<u>-</u>	<u>439,749</u>	<u>53,695</u>	<u>-</u>	<u>7,042,416</u>
<u>154,338</u>	<u>77,292</u>	<u>788,541</u>	<u>586</u>	<u>153,471</u>	<u>9,850</u>	<u>446,404</u>	<u>53,695</u>	<u>-</u>	<u>7,137,512</u>
205,387	(8,432)	(246,406)	(586)	(42,548)	(3,371)	(103,267)	(10,739)	-	(1,448,416)
-	-	-	-	-	-	-	-	-	12,000
205,387	(8,432)	(246,406)	(586)	(42,548)	(3,371)	(103,267)	(10,739)	-	(1,436,416)
485,175	-	144,925	13,242	149,593	-	(68,447)	-	5,000	1,186,447
<u>\$ 690,562</u>	<u>\$ (8,432)</u>	<u>\$ (101,481)</u>	<u>\$ 12,656</u>	<u>\$ 107,045</u>	<u>\$ (3,371)</u>	<u>\$ (171,714)</u>	<u>\$ (10,739)</u>	<u>\$ 5,000</u>	<u>\$ (249,969)</u>

Salem Area Mass Transit District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Transportation Programs on a Non-GAAP Budget Basis
For the Year Ended June 30, 2020

	<u>Cherriots Lift</u>	<u>Cherriots Shop & Ride</u>
Revenues		
Local revenue		
Passenger fares	\$ 146,986	\$ 11,537
Miscellaneous income	1,519	-
Total local revenue	<u>148,505</u>	<u>11,537</u>
State revenue		
Special transportation fund program (ODOT)	348,996	78,004
STIF funds	400,112	-
Total state revenue	<u>749,108</u>	<u>78,004</u>
Federal revenue		
Developmental disabilities transportation services (DD53)	1,850,146	-
Transportation for elderly persons and persons with disabilities (5310)	8,404	232,752
Formula grants for other than urbanized areas (5311)	-	-
Rideshare/TDM grant	-	-
Corona virus relief fund	-	45,473
Urbanized area formula (Section 5307)	1,221,685	66,259
Total federal revenue	<u>3,080,235</u>	<u>344,484</u>
Total revenues	<u>3,977,848</u>	<u>434,025</u>
Expenditures		
Personnel services	384,871	29,511
Materials and services		
Other materials and services	4,457,599	262,359
Call center allocation	812,627	152,367
Total expenditures	<u>5,655,097</u>	<u>444,237</u>
Excess (deficiency) of revenues over expenditures	(1,677,249)	(10,212)
Other financing sources (uses)		
Transfer from general fund	1,557,609	-
Net change in fund balance	(119,640)	(10,212)
Fund balance, beginning of year	<u>(1,236,523)</u>	<u>36,854</u>
Fund balance, end of year	<u>\$ (1,356,163)</u>	<u>\$ 26,642</u>

Cherriots Regional	DMAP/ WVCH	Charriots Call Center	Mobility Management	Special Transportation Coordination	Cherriots TripChoice	Total Transportation Programs Fund
\$ 126,446	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284,969
-	-	-	-	919	-	2,438
<u>126,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>919</u>	<u>-</u>	<u>287,407</u>
291,572	-	-	20,020	257,768	-	996,360
<u>509,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,176</u>	<u>-</u>	<u>1,217,679</u>
<u>800,963</u>	<u>-</u>	<u>-</u>	<u>20,020</u>	<u>565,944</u>	<u>-</u>	<u>2,214,039</u>
-	-	-	-	-	-	1,850,146
528,099	-	-	174,917	15,000	-	959,172
392,606	-	-	-	-	-	392,606
-	-	-	-	-	344,184	344,184
14,108	-	-	-	-	-	59,581
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,287,944</u>
<u>934,813</u>	<u>-</u>	<u>-</u>	<u>174,917</u>	<u>15,000</u>	<u>344,184</u>	<u>4,893,633</u>
<u>1,862,222</u>	<u>-</u>	<u>-</u>	<u>194,937</u>	<u>581,863</u>	<u>344,184</u>	<u>7,395,079</u>
171,760	-	7,411	163,441	272	287,370	1,044,636
1,373,575	-	1,008,372	31,496	568,278	56,814	7,758,493
<u>50,789</u>	<u>-</u>	<u>(1,015,783)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,596,124</u>	<u>-</u>	<u>-</u>	<u>194,937</u>	<u>568,550</u>	<u>344,184</u>	<u>8,803,129</u>
266,098	-	-	-	13,313	-	(1,408,050)
-	-	-	-	-	-	1,557,609
266,098	-	-	-	13,313	-	149,559
<u>195,891</u>	<u>763,046</u>	<u>-</u>	<u>17,611</u>	<u>432,982</u>	<u>778</u>	<u>210,639</u>
<u>\$ 461,989</u>	<u>\$ 763,046</u>	<u>\$ -</u>	<u>\$ 17,611</u>	<u>\$ 446,295</u>	<u>\$ 778</u>	<u>\$ 360,198</u>



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Statistical Section

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

Contents

Financial Trend Information

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

Revenue Capacity Information

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

Demographic and Economic Information

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

Operating Information

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

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



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Financial Trend Information



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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
ASSETS			
Current and other assets	\$ 17,728,733	\$ 23,652,119	\$ 24,153,129
Capital assets, net	<u>33,014,713</u>	<u>28,156,242</u>	<u>34,371,636</u>
Total assets	<u>50,743,446</u>	<u>51,808,361</u>	<u>58,524,765</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 50,743,446</u>	<u>\$ 51,808,361</u>	<u>\$ 58,524,765</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities	\$ 5,355,014	\$ 7,938,659	\$ 6,078,400
Noncurrent liabilities	<u>1,153,604</u>	<u>1,523,030</u>	<u>1,904,030</u>
Total liabilities	<u>6,508,618</u>	<u>9,461,689</u>	<u>7,982,430</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Investment in capital assets	33,014,713	28,156,242	34,371,636
Restricted for capital projects and transportation programs	1,699,364	2,178,935	4,928,337
Unrestricted	<u>9,520,751</u>	<u>12,011,495</u>	<u>11,242,362</u>
Total net position	<u>44,234,828</u>	<u>42,346,672</u>	<u>50,542,335</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 50,743,446</u>	<u>\$ 51,808,361</u>	<u>\$ 58,524,765</u>

(restated) 2014	(restated) 2015	2016	2017	(restated) 2018	2019	2020
\$ 20,148,979	\$ 24,911,083	\$ 29,396,596	\$ 28,795,580	\$ 29,931,754	\$ 28,504,479	\$ 32,377,724
<u>36,855,141</u>	<u>35,578,093</u>	<u>34,434,992</u>	<u>32,887,854</u>	<u>32,953,227</u>	<u>43,865,763</u>	<u>48,311,842</u>
<u>57,004,120</u>	<u>60,489,176</u>	<u>63,831,588</u>	<u>61,683,434</u>	<u>62,884,981</u>	<u>72,370,242</u>	<u>80,689,566</u>
<u>-</u>	<u>277,838</u>	<u>3,349,887</u>	<u>3,086,390</u>	<u>3,349,902</u>	<u>2,267,936</u>	<u>4,742,447</u>
<u>\$ 57,004,120</u>	<u>\$ 60,767,014</u>	<u>\$ 67,181,475</u>	<u>\$ 64,769,824</u>	<u>\$ 66,234,883</u>	<u>\$ 74,638,178</u>	<u>\$ 85,432,013</u>
\$ 3,717,897	\$ 3,488,792	\$ 4,266,140	\$ 3,511,481	\$ 3,922,591	\$ 2,684,862	\$ 3,003,712
<u>7,826,851</u>	<u>7,451,813</u>	<u>10,502,968</u>	<u>9,911,645</u>	<u>10,866,390</u>	<u>10,788,269</u>	<u>11,831,307</u>
<u>11,544,748</u>	<u>10,940,605</u>	<u>14,769,108</u>	<u>13,423,126</u>	<u>14,788,981</u>	<u>13,473,131</u>	<u>14,835,019</u>
<u>675,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,196</u>	<u>288,074</u>	<u>1,670,018</u>
36,855,141	34,772,770	34,434,992	32,887,854	32,953,227	43,865,763	48,311,842
5,055,907	5,957,083	6,577,713	5,401,135	4,054,982	1,322,208	108,265
2,872,388	8,291,233	11,399,662	13,057,709	14,209,497	15,689,002	20,506,869
<u>44,783,436</u>	<u>49,826,409</u>	<u>52,412,367</u>	<u>51,346,698</u>	<u>51,217,706</u>	<u>60,876,973</u>	<u>68,926,976</u>
<u>\$ 57,004,120</u>	<u>\$ 60,767,014</u>	<u>\$ 67,181,475</u>	<u>\$ 64,769,824</u>	<u>\$ 66,234,883</u>	<u>\$ 74,638,178</u>	<u>\$ 85,432,013</u>

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

	2011	2012	2013
OPERATING REVENUES:			
Passenger fares	\$ 2,271,146	\$ 2,916,951	\$ 2,793,604
Accessible services and medicaid	1,255,467	2,472,645	3,127,234
Other revenue	501,722	594,405	653,937
	<u>4,028,335</u>	<u>5,984,001</u>	<u>6,574,775</u>
OPERATING EXPENSES:			
Personnel services	15,536,920	15,715,505	16,130,831
Materials and services	13,275,500	14,901,593	16,200,005
Depreciation	2,699,400	3,556,442	2,883,582
OPEB expense	339,738	369,426	381,000
	<u>31,851,558</u>	<u>34,542,966</u>	<u>35,595,418</u>
Total operating expenses	<u>31,851,558</u>	<u>34,542,966</u>	<u>35,595,418</u>
Operating loss	(27,823,223)	(28,558,965)	(29,020,643)
NON-OPERATING REVENUES (EXPENSES):			
Property taxes	9,632,849	9,733,903	9,984,733
State assistance	7,615,152	7,459,771	5,251,979
Federal assistance	10,306,319	11,014,530	12,538,020
Investment income	44,304	58,336	65,672
Insurance settlement	-	-	-
(Loss) gain on disposal of capital assets	-	(21,817)	14,000
	<u>27,598,624</u>	<u>28,244,723</u>	<u>27,854,404</u>
Total non-operating revenues (expenses)	<u>27,598,624</u>	<u>28,244,723</u>	<u>27,854,404</u>
Net income (loss) before contributions	(224,599)	(314,242)	(1,166,239)
EXTRAORDINARY ITEMS			
Loss on capital asset impairment	-	(4,033,628)	-
Litigation settlement	-	-	3,842,554
CAPITAL CONTRIBUTIONS	<u>7,310,358</u>	<u>2,459,714</u>	<u>5,519,348</u>
Change in net position	7,085,759	(1,888,156)	8,195,663
NET POSITION, BEGINNING	<u>37,149,069</u>	<u>44,234,828</u>	<u>42,346,672</u>
Cumulative effect of restatement	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION, ENDING	<u>\$ 44,234,828</u>	<u>\$ 42,346,672</u>	<u>\$ 50,542,335</u>

(restated) 2014	(restated) 2015	2016	2017	(restated) 2018	2019	2020
\$ 2,776,575	\$ 2,817,514	\$ 2,694,423	\$ 3,201,972	\$ 2,934,938	\$ 2,598,276	\$ 2,056,140
3,129,220	2,948,422	2,662,441	2,455,869	2,361,353	2,257,875	1,850,146
465,052	365,058	366,047	550,519	377,044	291,406	471,874
<u>6,370,847</u>	<u>6,130,994</u>	<u>5,722,911</u>	<u>6,208,360</u>	<u>5,673,335</u>	<u>5,147,557</u>	<u>4,378,160</u>
13,960,216	16,204,737	18,478,140	20,359,793	19,492,184	22,396,985	24,687,263
18,310,843	20,294,244	20,170,430	20,947,830	19,347,396	12,545,814	12,945,521
3,032,068	3,059,323	2,576,402	2,305,590	2,151,089	2,212,211	2,695,840
381,000	219,749	204,295	193,456	(38,507)	201,585	29,690
<u>35,684,127</u>	<u>39,778,053</u>	<u>41,429,267</u>	<u>43,806,669</u>	<u>40,952,162</u>	<u>37,356,595</u>	<u>40,358,314</u>
(29,313,280)	(33,647,059)	(35,706,356)	(37,598,309)	(35,278,827)	(32,209,038)	(35,980,154)
10,179,017	10,714,350	11,258,672	11,574,433	12,161,750	12,823,442	12,955,320
5,746,114	7,708,296	7,195,009	7,371,134	7,440,285	10,536,782	14,515,991
11,786,100	18,721,493	18,198,155	16,901,469	15,458,127	6,528,594	10,558,045
53,457	94,776	140,579	241,753	354,870	431,753	314,597
-	22,557	29,942	-	-	-	10,023
1,859	8,607	(39,539)	1,660	-	5,285	4,989
<u>27,766,547</u>	<u>37,270,079</u>	<u>36,782,818</u>	<u>36,090,449</u>	<u>35,415,032</u>	<u>30,325,856</u>	<u>38,358,965</u>
(1,546,733)	3,623,020	1,076,462	(1,507,860)	136,205	(1,883,182)	2,378,811
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,691,727</u>	<u>644,630</u>	<u>1,509,496</u>	<u>442,191</u>	<u>1,395,752</u>	<u>11,542,449</u>	<u>5,671,192</u>
3,144,994	4,267,650	2,585,958	(1,065,669)	1,531,957	9,659,267	8,050,003
<u>50,542,335</u>	<u>44,783,436</u>	<u>49,826,409</u>	<u>52,412,367</u>	<u>51,346,698</u>	<u>51,217,706</u>	<u>60,876,973</u>
(8,903,893)	775,323	-	-	(1,660,949)	-	-
<u>\$ 44,783,436</u>	<u>\$ 49,826,409</u>	<u>\$ 52,412,367</u>	<u>\$ 51,346,698</u>	<u>\$ 51,217,706</u>	<u>\$ 60,876,973</u>	<u>\$ 68,926,976</u>



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Revenue Capacity Information



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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
	Residential	Commercial	Other	Utilities
2020	\$12,011,666,418	\$ 4,999,418,272	\$ 1,132,716,186	\$ 606,896,866
2019	11,526,943,227	4,878,211,846	1,072,775,917	560,447,832
2018	11,068,458,201	4,600,364,794	1,041,137,160	572,108,794
2017	10,609,988,492	4,386,449,426	1,036,795,905	448,922,166
2016	10,190,655,657	4,249,688,977	1,022,709,766	417,339,803
2015	9,800,288,264	4,094,261,279	954,630,626	379,053,441
2014	9,412,905,600	4,004,452,790	885,287,920	368,759,319
2013	9,006,179,549	3,843,092,878	897,491,335	369,029,826
2012	8,751,466,244	3,467,604,024	1,316,801,286	379,657,608
2011	8,779,099,089	3,306,908,542	1,337,899,355	442,244,755

Sources:

Marion County and Polk County Assessors.

Notes:

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

<u>Personal Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Value of Taxable Property</u>
\$ 498,819,849	\$ 19,249,517,591	0.7609	\$ 34,611,507,518
465,486,768	18,503,865,590	0.7609	32,875,746,663
475,964,706	17,758,033,655	0.7609	30,266,763,653
436,390,694	16,418,918,782	0.7609	27,696,991,362
413,860,724	15,742,935,794	0.7609	25,627,319,527
382,966,983	15,611,200,594	0.7609	24,134,174,611
412,792,970	15,084,198,599	0.7609	23,109,872,859
390,105,749	14,505,899,337	0.7609	21,902,212,924
380,494,517	14,296,023,679	0.7609	21,194,096,852
388,944,263	14,255,096,004	0.7609	21,778,530,444

**Salem Area Mass Transit District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Salem Area Mass Transit District					
Permanent Tax Rate	\$ 0.7609	\$ 0.7609	\$ 0.7609	\$ 0.7609	\$ 0.7609
Overlapping Rates:					
Marion County	3.03	3.03	3.03	3.03	3.03
Polk County	2.14	2.14	2.09	2.54	2.54
Cities	0.28 - 8.09	0.28 - 8.09	0.28 - 8.09	0.28 - 8.09	0.28 - 8.09
School Districts & ESD's	0.30 - 7.84	0.30 - 7.92	0.30 - 8.12	0.30 - 8.34	0.30 - 8.12
Chemeketa Community College	0.89	0.90	0.90	0.90	0.92
Sewer & Service Districts	0.05	0.05	0.05	0.05	0.05
Water & Water Control Districts	0.05 - 1.00	0.04 - 1.00	0.05 - 1.00	0.05 - 1.00	0.05 - 1.00
Rural Fire Protection Districts	0.53 - 2.90	0.53 - 2.91	0.53 - 2.92	0.53 - 2.93	0.53 - 2.51
Special Purpose Districts	0.08 - 0.57	0.08 - 0.57	0.08 - 0.57	0.08 - 0.57	0.08 - 0.57

Sources:

Marion County Tax Collector.

Notes:

- (1) Information in this schedule satisfies the District's annual disclosure requirements under SEC Rule 15c2-12.
- (2) Rates for individual taxing districts are available in the annual tax roll summaries posted on the county's website.

2015	2014	2013	2012	2011
\$ 0.7609	\$ 0.7609	\$ 0.7609	\$ 0.7609	\$ 0.7609
3.03	3.03	3.03	3.03	3.03
2.26	2.26	2.26	2.26	2.25
0.28 - 8.09	0.28 - 8.09	0.28 - 8.09	0.28 - 8.09	0.43 - 8.09
0.30 - 8.42	0.30 - 8.07	0.30 - 8.12	0.30 - 8.25	0.30 - 8.11
0.89	0.86	0.90	0.88	0.79
0.00	0.00	0.00	0.00	0.00
0.05 - 1.00	0.05 - 1.00	0.05 - 1.00	0.05 - 1.03	0.05 - 1.00
0.53 - 2.52	0.53 - 2.53	0.53 - 2.47	1.01 - 2.35	1.01 - 2.42
0.08 - 0.57	0.08 - 0.57	0.08 - 0.57	0.08 - 0.57	0.08 - 0.57

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

Taxpayer	2020			2011		
	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Portland General Electric Co	1	\$ 212,112,745	1.10%	1	\$ 132,526,130	0.93%
Northwest Natural Gas Co	2	186,570,600	0.97%	2	115,870,600	0.81%
CenturyLink	3	84,912,000	0.44%	3	74,831,300	0.52%
Comcast Corporation	4	78,386,000	0.41%		-	
Donahue Schriber Realty Group	5	70,188,410	0.36%	5	49,049,190	0.34%
State Accident Insurance Fund	6	55,532,740	0.29%	9	27,839,500	0.20%
Lancaster Development Company LLC	7	54,313,000	0.28%	4	60,195,480	0.42%
Metropolitan Life Insurance Co	8	49,177,420	0.26%	7	39,838,290	0.28%
State Investments LLC	9	44,073,249	0.23%	10	28,128,719	0.20%
5639 HD LLC	10	37,599,430	0.20%		-	
HD Salem OR Landlord LLC		-		6	40,422,290	0.28%
Wal-Mart Real Estate Business Trust		-		8	31,118,130	0.22%
Total for principal taxpayers		<u>872,865,594</u>	4.53%		<u>599,819,629</u>	4.21%
Total taxable assessed value		<u>\$ 19,249,517,591</u>			<u>\$ 14,255,096,004</u>	

Sources:

Marion County and Polk County Tax Assessors
Top Ten for both counties consolidated

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2020	\$ 13,375,200	\$ 12,747,112	95.30%	\$ -	\$ 12,747,112	95.30%
2019	12,906,585	12,304,644	95.34%	150,316	12,454,960	96.50%
2018	12,426,577	11,958,195	96.23%	200,249	12,158,444	97.84%
2017	11,965,300	11,378,225	95.09%	246,032	11,624,257	97.15%
2016	11,509,781	10,905,167	94.75%	277,184	11,182,351	97.16%
2015	10,882,259	10,279,838	94.46%	303,824	10,583,662	97.26%
2014	10,472,555	9,853,189	94.09%	330,998	10,184,187	97.25%
2013	10,233,065	9,570,505	93.53%	347,387	9,917,892	96.92%
2012	10,084,413	9,412,400	93.34%	343,243	9,755,643	96.74%
2011	9,899,957	9,218,258	93.11%	415,031	9,633,289	97.31%

Sources:

Marion County Assessor and Polk County Treasurer

Demographic and Economic Information



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

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands)(2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2020	349,120	\$ 15,706,672	\$ 45,158	3.9%
2019	347,760	14,929,947	43,042	4.3%
2018	344,035	14,024,346	41,093	4.3%
2017	339,200	12,836,365	38,168	4.5%
2016	333,950	12,301,699	37,199	5.5%
2015	329,770	11,614,203	35,614	6.1%
2014	326,150	11,484,654	35,489	6.9%
2013	322,880	11,249,451	35,156	8.5%
2012	319,985	11,249,451	35,156	9.6%
2011	318,150	10,790,917	33,841	10.2%

Note:

This schedule is for Marion County and is provided as reference only. The District operates in both Marion and Polk Counties, however more operations occur in Marion than Polk County.

(1) Population estimate as of July 1, 2020; Population Research Center, Portland State University

(2) Personal Income estimate as of calendar year 2019; Bureau of Economic Analysis, Regional Economic Data

(3) Per Capita Personal Income as of calendar year 2019; Bureau of Economic Analysis, Regional Economic Data

(4) Unemployment Rate is average of calendar year 2019; Bureau of Labor Statistics, Local Unemployment Statistics

Sources:

US Department of Commerce, Bureau of Economic Analysis; Regional Economic Data

US Bureau of Labor Statistics, Local Area Unemployment Statistics

Population Research Center, Portland State University

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

<u>Employer</u>	<u>2020</u>		<u>2011</u>	
	<u>Employees</u>	<u>% of Total</u>	<u>Employees</u>	<u>% of Total</u>
Government	41,800	24.35%	42,700	29.74%
Educational and health services	29,700	17.31%	21,200	14.76%
Trade, transportation, and utilities	28,900	16.84%	23,800	16.57%
Leisure and hospitality	15,800	9.21%	11,900	8.29%
Professional and business services	15,500	9.03%	11,400	7.94%
Manufacturing	13,200	7.69%	11,800	8.22%
Construction	12,200	7.11%	6,600	4.60%
Financial activities	7,100	4.14%	7,100	4.94%
Other services	5,400	3.15%	5,200	3.62%
Information	1,400	0.82%	1,200	0.84%
Mining and logging	600	0.35%	700	0.49%
Total Salem Metropolitan Area Non-Farm Payroll Employment	<u>171,600</u>	<u>100.00%</u>	<u>143,600</u>	<u>100.00%</u>

Source: Oregon Employment Department Salem Area MSA Nonfarm Employment

Notes: (1) Information is presented for the prior calendar year

(2) Includes full-time and part-time employees

Operating Information



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

Division	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>General Fund</u>										
General Manager/Board of Directors	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	4.5
Administration										
Human Resources	5.5	4.5	3.5	4.0	4.5	4.1	4.7	5.2	4.8	4.8
Human Resources-Safety	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Communication										
Marketing & Communication	-	-	2.0	3.0	3.0	3.0	3.0	3.0	4.0	4.3
Customer Service	5.5	6.0	6.0	6.0	6.1	6.0	5.8	5.8	8.9	8.3
Travel Trainer	-	-	-	-	-	-	0.2	0.1	0.3	0.4
Finance and Technology										
Finance	7.0	7.0	7.0	7.0	6.5	6.5	7.5	5.0	6.9	9.5
Procurement	-	-	-	-	-	-	-	2.6	1.6	2.0
Information Technology	-	-	-	-	-	-	-	-	-	5.9
Operations										
Administration	2.0	2.0	5.5	4.0	3.0	3.0	3.1	3.1	4.1	4.1
Security & Emergency Management	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	3.0
Fixed Route Operations	108.5	108.5	106.5	106.0	110.0	110.0	110.0	110.0	136.0	147.5
Vehicle Maintenance	25.0	25.0	25.0	26.0	24.5	24.0	24.1	23.6	31.8	31.1
Facilities Maintenance	6.0	6.0	6.0	6.0	6.0	6.0	6.0	8.0	9.0	9.0
Planning	-	-	-	-	-	-	-	-	-	4.0
Transportation Development										
Transportation Development Administration	7.0	7.0	4.7	4.5	4.0	4.5	5.6	6.4	6.1	-
Information Technology	3.0	4.0	4.0	5.0	4.5	5.0	5.0	5.0	5.1	-
Rideshare Program	1.0	1.5	2.0	2.0	-	-	-	-	-	-
Total General Fund FTE Per Budget	<u>174.0</u>	<u>174.5</u>	<u>176.0</u>	<u>177.5</u>	<u>176.0</u>	<u>176.5</u>	<u>179.0</u>	<u>181.8</u>	<u>222.6</u>	<u>239.4</u>
<u>Transportation Programs Fund</u>										
Cherriots Lift	3.0	3.0	3.0	3.0	3.5	3.5	3.1	3.1	3.7	3.4
Cherriots Shop & Ride	-	-	-	-	-	-	0.2	0.2	0.6	0.4
Cherriots Regional	0.5	0.5	0.5	0.5	1.5	1.5	1.4	1.0	1.5	0.9
DMAP	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	-	-
Cherriots Call Center	-	-	-	-	0.5	0.5	0.6	0.5	0.7	0.1
Mobility Management/Travel Trainer	1.5	1.5	1.5	1.5	3.0	2.0	2.1	0.8	1.6	1.5
Special Transportation Coordination	-	-	-	1.0	-	0.5	0.1	0.2	0.3	-
TripChoice/Transportation Demand Mgt	-	-	-	-	2.0	2.0	2.0	2.5	3.0	2.4
Total Special Transportation Fund FTE Per Budget	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>8.0</u>	<u>12.5</u>	<u>12.0</u>	<u>11.5</u>	<u>9.3</u>	<u>11.4</u>	<u>8.7</u>
<u>Capital Project Fund</u>										
	1.0	1.0	1.0	1.0	1.5	1.0	3.2	1.6	0.4	-
Total District Wide FTE Per Budget	<u>182.0</u>	<u>182.5</u>	<u>184.0</u>	<u>186.5</u>	<u>190.0</u>	<u>189.5</u>	<u>193.7</u>	<u>192.7</u>	<u>234.4</u>	<u>248.1</u>



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Salem Area Mass Transit District Operating Revenue and Cost Measures 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)
2011	\$ 2,156,084	\$ 18,481,242	11.7%	2,131,035	1,990,530	4,203,930
2012	2,487,342	18,582,768	13.4%	2,089,966	1,951,757	3,363,002
2013	2,358,925	19,555,613	12.1%	2,117,115	1,982,591	3,413,873
2014	2,363,360	20,331,685	11.6%	2,125,959	2,001,989	3,322,655
2015	2,623,816	20,751,653	12.6%	2,191,929	2,059,524	3,371,517
2016	2,305,504	21,699,414	10.6%	2,316,592	2,173,882	2,999,022
2017	2,825,740	23,395,701	12.1%	2,566,500	2,417,272	2,940,565
2018	2,519,889	24,493,950	10.3%	2,289,507	2,146,850	3,011,629
2019	2,196,271	26,343,862	8.3%	2,270,336	2,124,151	2,955,477
2020	1,771,170	28,535,939	6.2%	2,172,007	2,028,340	2,619,250

Regional Fixed Route*

Fiscal Year	Fare Revenue	Operating Expense	Revenue Margin	Annual Vehicle Miles	Annual Revenue Miles	Unlinked Passenger Trips (UPT)
2020	\$ 118,138	\$ 1,453,046	8.1%	420,820	366,029	81,647

*Starting in FY2020, this new mode reflects the NTD reporting definition of Purchased Transportation - Motor Bus, and includes Regional routes operated by a third party, excluding the Polk County Flex, which meets the definition of Demand Response service, and is included there.

Demand Response**

Fiscal Year	Fare Revenue	Operating Expense	Revenue Margin	Annual Vehicle Miles	Annual Revenue Miles	Unlinked Passenger Trips (UPT)
2011	\$ 311,598	\$ 12,975,583	2.4%	3,838,149	3,724,201	441,921
2012	248,961	11,527,023	2.2%	4,789,771	4,789,771	429,685
2013	198,154	12,865,869	1.5%	4,530,236	4,182,683	488,466
2014	175,101	13,710,320	1.3%	4,750,911	4,382,166	528,610
2015	226,675	16,771,188	1.4%	7,871,544	7,482,224	581,184
2016	388,919	16,075,696	2.4%	5,624,117	5,108,673	560,070
2017	376,232	16,013,265	2.3%	7,122,370	5,595,404	566,641
2018	415,049	14,119,579	2.9%	4,055,025	3,684,110	455,807
2019	402,005	7,282,216	5.5%	1,341,807	1,181,677	241,297
2020	116,831	5,803,855	2.0%	761,455	668,407	114,522

Vanpool

Fiscal Year	Fare Revenue	Operating Expense	Revenue Margin	Annual Vehicle Miles	Annual Revenue Miles	Unlinked Passenger Trips (UPT)
2011	\$ 103,070	\$ 219,087	47.0%	246,546	246,546	42,888
2012	140,800	289,517	48.6%	343,211	343,211	55,830
2013	182,063	376,183	48.4%	399,775	399,775	66,175
2014	200,596	381,891	52.5%	499,454	499,454	79,084
2015	481,530	391,795	122.9%	613,938	613,938	79,084
2016	488,651	245,285	199.2%	566,917	566,917	78,774
2017	418,369	177,903	235.2%	578,196	578,196	72,591
2018	303,605	290,018	104.7%	528,480	528,480	70,250
2019	310,822	302,213	102.8%	554,187	554,187	76,167
2020	290,192	277,822	104.5%	474,257	474,257	59,152

** In FY2014 no sampling was done on demand response mode so the District agreed to not report passenger miles for FY2015 and FY2016. The District conducted sampling in FY2017.

**In FY2020, Demand Response operating statistics changed to reflect NTD report definitions for service modes. It now includes Cherriots Lift, Shop & Ride, and the Polk County Flex services.

Fixed Route System							
Fiscal Year	Annual	Annual	Operating	Operating	Operating	Operating	Operating
	Passenger	Vehicle	Expense per				
	Miles	Revenue	Mile	Revenue	Mile	UPT	Mile
2011	13,620,825	157,335	\$ 8.67	\$ 9.28	\$ 4.40	\$ 1.36	
2012	10,896,126	154,772	8.89	9.52	5.53	1.71	
2013	11,060,948	154,905	9.24	9.86	5.73	1.77	
2014	11,695,746	156,860	9.56	10.16	6.12	1.74	
2015	11,867,740	155,246	9.47	10.08	6.15	1.75	
2016	10,556,745	159,283	9.37	9.98	7.24	2.06	
2017	9,703,865	173,457	9.12	9.68	7.96	2.41	
2018	9,938,376	166,004	10.70	11.41	8.13	2.46	
2019	9,753,074	167,949	11.60	12.40	8.91	2.70	
2020	8,014,905	163,402	13.14	14.07	10.89	3.56	

Regional Fixed Route*							
Fiscal Year	Annual	Annual	Operating	Operating	Operating	Operating	Operating
	Passenger	Vehicle	Expense per				
	Miles	Revenue	Mile	Revenue	Mile	UPT	Mile
2020	278,508	17,024	\$ 3.45	\$ 3.97	\$ 17.80	\$ 5.22	

Demand Response**							
Fiscal Year	Annual	Annual	Operating	Operating	Operating	Operating	Operating
	Passenger	Vehicle	Expense per				
	Miles	Revenue	Mile	Revenue	Mile	UPT	Mile
2011	6,202,495	226,002	\$ 3.38	\$ 3.48	\$ 29.36	\$ 2.09	
2012	8,340,340	232,769	2.41	2.41	26.83	1.38	
2013	5,534,320	244,964	2.84	3.08	26.34	2.32	
2014	3,626,371	270,933	2.89	3.13	25.94	3.78	
2015	**	272,262	2.13	2.24	28.86	**	
2016	**	321,548	2.86	3.15	28.70	**	
2017	4,982,763	330,708	2.25	2.86	28.26	3.21	
2018	3,424,780	234,747	3.48	3.83	30.98	4.12	
2019	1,371,923	86,874	5.43	6.16	30.18	5.31	
2020	766,037	56,148	7.62	8.68	50.68	7.58	

Vanpool							
Fiscal Year	Annual	Annual	Operating	Operating	Operating	Operating	Operating
	Passenger	Vehicle	Expense per				
	Miles	Revenue	Mile	Revenue	Mile	UPT	Mile
2011	1,645,638	5,633	\$ 0.89	\$ 0.89	\$ 5.11	\$ 0.13	
2012	2,060,457	7,705	0.84	0.84	5.19	0.14	
2013	2,611,080	8,704	0.94	0.94	5.68	0.14	
2014	2,841,022	11,418	0.76	0.76	4.83	0.13	
2015	2,864,484	11,418	0.64	0.64	4.95	0.14	
2016	3,199,040	13,201	0.43	0.43	3.11	0.08	
2017	2,550,101	13,352	0.31	0.31	2.45	0.07	
2018	2,848,891	13,803	0.55	0.55	4.13	0.10	
2019	2,955,836	14,376	0.55	0.55	3.97	0.10	
2020	2,197,116	12,295	0.59	0.59	4.70	0.13	

**Disclosure and Comments Required
by State Minimum Standards**



GROVE, MUELLER & SWANK, P.C.

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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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Salem Area Mass Transit District (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated January 31, 2021.

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 for the following:

- The Capital Projects Fund reported a deficit ending fund balance as of June 30, 2020 as identified in the notes to the financial statements.

- The District transferred appropriations from the Transportation Development category to the General Manager/Board of Directors/SI category in the Capital Projects and Transportation Programs funds. The General Manager/Board of Directors/SI category was not a category in the District's originally adopted FY20 budget for either of those fund. The District did not hold the required public meeting and allow for public comments as required by local budget law.
- The District transferred \$1,569,609 from the General Fund to other funds that was not included in the board resolution making the appropriations for FY20. The transfer was included as a component of the organizational unit appropriations instead of a separate category as required by local budget law.

Internal Control Over Financial Reporting

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

Restriction on Use

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

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

By:  _____
Ryan T. Pasquarella, A Shareholder
January 31, 2021

SALEM AREA MASS TRANSIT DISTRICT

Federal Compliance Report

For the year ended

June 30, 2020

Marion County, Oregon



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Board of Directors
Salem Area Mass Transit District
Salem, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Salem Area Mass Transit District (the District) as of and for the year ended June 30, 2020, 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, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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


CERTIFIED PUBLIC ACCOUNTANTS

January 31, 2021



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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's (the District) compliance with the types of compliance requirements described in the *OMB 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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, Salem Area Mass Transit District complied, in all material respects, with the types of 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, 2020.

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 types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated January 31, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS
March 23, 2021

**Salem Area Mass Transit District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020**

	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Grantor/Number</u>	<u>Program/ Award Amount</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
U S Dept of Transportation					
<i>Federal Transit Cluster</i>					
<i>Direct</i>					
11 5309 Livability Keizer Transit Center	20.500	OR04-0039	\$ 2,800,000	\$ 538,774	\$ -
14 5307 PM, ADA, Operating, ATI	20.507	OR90-X173	5,847,526	248	-
16 & 20 5307 Operating Assist, PM, ADA	20.507	OR-2020-032	5,172,564	5,172,564	-
5307 CARES Act	20.507	OR-2020-031	15,668,434	3,362,418	-
15 5307 Capital Projects	20.507	OR-2019-025-00	631,506	44,127	-
16 Capital and Rolling Stock	20.507	OR-2019-30	168,434	124,163	-
17 Capital and Rolling Stock	20.507	unknown	1,648,882	394,847	-
5307_ STP Flex 2 Bus Stops, Shelters	20.507	unknown	1,103,007	110,923	-
5307_ STP CAD/AVL	20.507	OR-2017-007	219,378	33,303	-
5307_Bus Replacement	20.507	OR-2019-026	1,434,783	1,434,519	-
ITS System Implementation	20.507	OR-2019-030	1,308,417	18,097	-
5307_APC Counters	20.507	OR-2018-009	659,516	102,686	-
5339_Bus Replacement	20.526	OR-2019-021	2,475,000	2,474,040	-
5339_A Formula_KTC	20.526	unknown	320,000	3,361	-
<i>Total Federal Transit Cluster</i>				13,814,070	-
<i>Transit Services Programs Cluster</i>					
<i>Direct</i>					
FY 18 5310 Mobility of Sr. & Indv. w/ Disabilities Formula	20.513	OR-2018-030	234,747	16,044	-
FY 19 5310 Mobility of Sr. & Indv. w/ Disabilities Formula	20.513	OR-2020-007	240,112	240,112	15,000
				256,156	15,000
<i>Passed through Oregon Department of Transportation</i>					
6 Replacement vehicles	20.513	32853	969,084	207,183	-
19-21 5310 PS, PM, MM	20.513	33593	1,924,416	703,656	-
				910,839	-
<i>Total Transit Services Programs Cluster</i>				1,166,995	15,000
<i>Formula Grant for Rural Areas</i>					
<i>Passed through Oregon Department of Transportation</i>					
CARTS Rural FY19/20 PS, Admin	20.509	33431	728,311	325,137	-
20-21 5311 CARES Act	20.509	34207	364,155	73,947	-
<i>Total Formula Grant for Rural Areas</i>				399,084	-
<i>Highway Planning and Construction Cluster</i>					
<i>Passed through Oregon Department of Transportation</i>					
Rideshare & TDM FY19-21	20.205	32498	1,214,995	344,184	-
<i>Passed through Mid-Willamette Valley Council of Governments</i>					
Transportation Planning 20	20.205	unknown	120,903	120,729	-
<i>Total Highway Planning and Construction Cluster</i>				464,913	-
U S Dept of Treasury					
<i>Coronavirus Relief Funds</i>					
<i>Passed through Oregon Department of Administrative Services</i>					
COVID-19 - Coronavirus Relief Funds	21.019	1557	250,000	199,895	-
Total Expenditures of Federal Awards				\$ 16,044,957	\$ 15,000

Salem Area Mass Transit District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

PURPOSE OF THE SCHEDULE

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Salem Area Mass Transit District (the District) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Circular A-87 when applicable. Because the Schedule presents only a selected portion of the operations of the District it is not intended to and does not present the net position, changes in net position, and cash flows of the District.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDIRECT COST RATE

The District has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

**Salem Area Mass Transit District
 Schedule of Audit Findings and Questioned Costs
 Year Ended June 30, 2020**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.500, 20.507, 20.526	Federal Transit Cluster
21.019	Coronavirus Relief Funds

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDINGS

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

None