



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

*Fiscal Years Ended June 30, 2019 and 2018*

*JANUARY 31, 2020*



**SALEM AREA MASS TRANSIT DISTRICT**

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Comprehensive Annual Financial Report

For the years ended

June 30, 2019 and 2018

Marion County, Oregon

Prepared by

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



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## **Introductory Section**



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January 31, 2020

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, 2019. 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 2019, the District received an extension for submission of these documents until January 31, 2020.

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, 2019, 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, 2019, 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, 2019 indicated no significant violations of applicable laws and regulations. The independent auditor's reports, related specifically to the Single Audit and OMB Super Circular 2 CFR Part 200, the Uniform Guidance, are 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 430,000.

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 2019, annual Cherriots ridership between all services was just over 3.2 million, averaging almost 13,000 riders per day. Cherriots Local and Regional bus services operate with 62 peak vehicles. An additional 38 vehicles are dedicated to providing Cherriots LIFT paratransit 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 dial-a-ride 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 2019 was the last year SAMTD was governed by a Board of Directors whose seven members were elected from sub-districts to serve a four-year term. With the start of FY 20, as current directors' terms expire, the Board will transition to Governor-appointed positions. 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. Forty-five percent of general fund revenue comes from local property taxes. Thirty-one percent of the general fund are funds received from the state. This is an increase of 8 percent over last fiscal year. The increase is due to the passage of a bill by the 2017 Oregon Legislature that established a dedicated source of state funding to transit districts across Oregon through a payroll tax paid by employees. This tax went into effect on July 1, 2018, with the first revenues received in May 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. In May 2020 SAMTD will be able to provide service on Sundays and holidays by utilizing these funds.

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, Finance, Administration, Transportation Development, Operations, Communications, 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 173,442 according to 2018 U.S. Census Bureau estimate. In 2018 there were an estimated 430,700 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 13th largest city in Oregon. However, the Salem MSA had the second largest population in the state at July 1, 2018. The major industries in the Salem MSA are agribusiness, health care, technology, government, and education.

The seasonally adjusted unemployment in the Salem MSA in July 2019 was 4.3 percent, 0.3 percentage points higher than the July 2018 rate of 4.0 percent. According to the Oregon Office of Economic Analysis (OOEA), the Salem economy is forecast to remain strong for the next few years. However, a tight labor market is contributing to overall lower net job growth but rising wages. Strong income growth has pushed median household income for Salem to historic highs. The near-term economic outlook calls for ongoing, but slowing growth in the coming years.

### **Fixed Route Transportation**

Over 9.7 million passenger miles were traveled annually, with total ridership of 2,955,477 for FY 2019. This total ridership represents a decrease of 1.9 percent from FY 2018. For FY 2019 the operating costs per revenue mile for the fixed route service amounted to \$12.40 compared to a cost of \$11.41 for FY 2018 (an 8.7 percent increase), while the average cost per ride increased from \$8.13 in FY 2018 to \$8.91 for FY 2019 (a 9.6 percent increase). The increase in the cost per ride is more than last year's increase of 2.1 percent, and is due to an increase in operating costs, a decrease in operating revenue miles, and a decrease in ridership.

### **Alternative Transportation**

Ridership in the paratransit, non-emergency medical transportation, dial-a-ride, and shopper shuttle programs decreased during FY 2019. The total rides provided in FY 2019 were 241,297 compared to 455,807 rides provided in FY 2018. The average cost of providing demand response rides in FY 2019 was \$30.18 compared with \$30.98 for FY 2018. This decrease in cost per ride is the result of a decrease in the expenses to operate the programs, and a large decrease in rides due to the District discontinuing its non-emergency medical transportation (NEMT) program during the prior year.

A small portion of the cost of providing these alternative transportation services is covered with fare revenue, 5.5 percent for FY 2019 compared with 2.9 percent for FY 2018. Funding from federal and state sources provided 94.3 percent of FY 2019 and 90.1 percent of FY 2018 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 service enhancement and the introduction of new technology. This year saw the introduction of Phase I of the "A Better Cherriots" service enhancement plan. In September 2019 extended weekday service hours and the introduction of Saturday service began. Phase II is set to begin in May 2020 where Sunday and holiday service begins.

The major technology project for this year includes 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 being 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 starting to receive a new sustainable revenue source 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, 2018. This was the seventh 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,

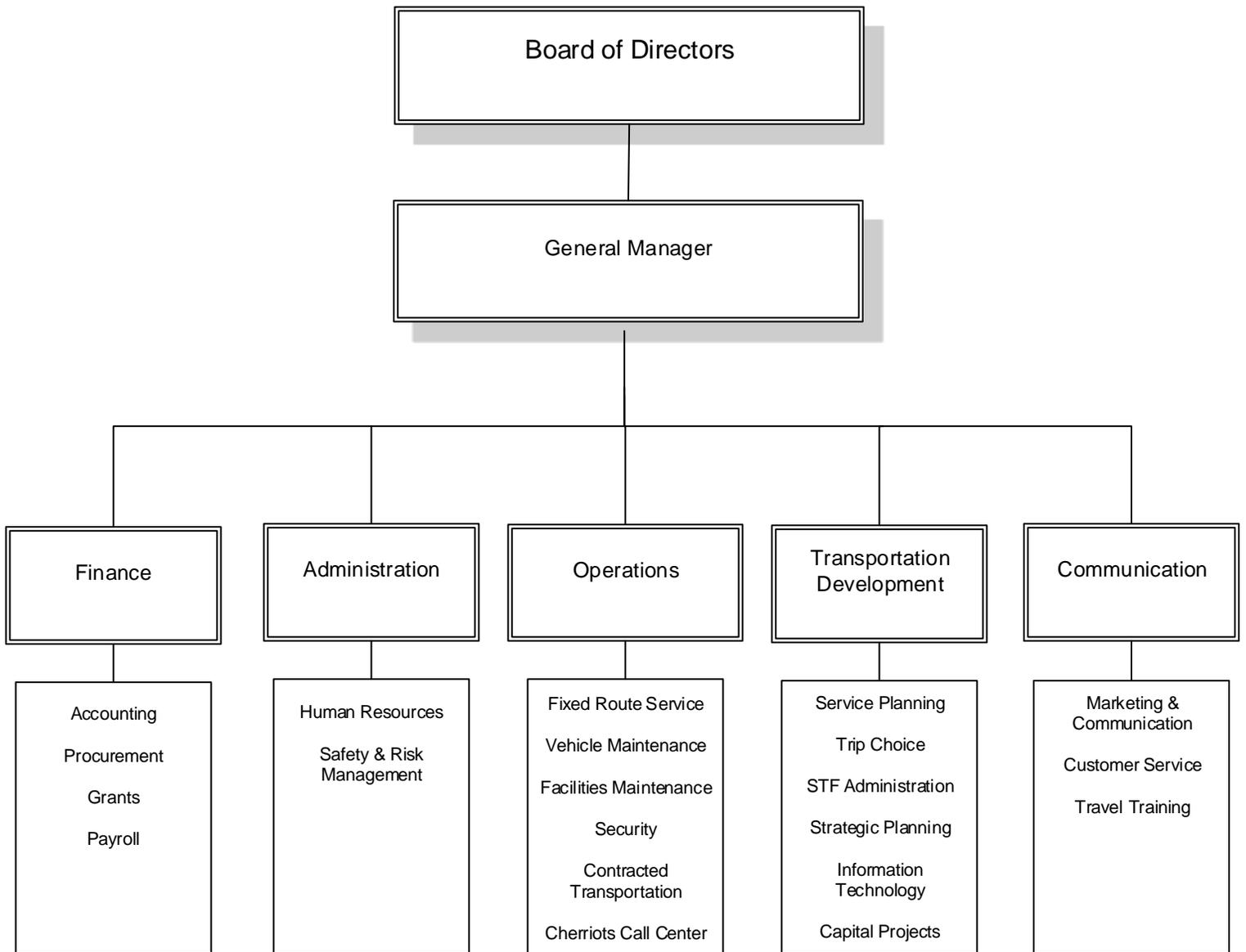


Allan Pollock  
General Manager



Al McCoy  
Chief Financial Officer

# SALEM AREA MASS TRANSIT DISTRICT DISTRICT-WIDE ORGANIZATIONAL CHART



Salem Area Mass Transit District  
BOARD OF DIRECTORS

<u>Board</u>	<u>Subdistrict</u>	<u>Term Expiration</u>
Steve Evans, Vice-President	1 – West Salem	June 30, 2019
Colleen Busch, Secretary	2 – Keizer	June 30, 2021
Kathryn Lincoln	3 – North Salem	June 30, 2019
Doug Rodgers	4 – Northeast Salem	June 30, 2021
Jerry Thompson	5 – Southeast Salem	June 30, 2019
Robert Krebs, President	6 – South Salem	June 30, 2021
Marcia Kelley	7 – South Salem	June 30, 2019

**General Manager –**

Allan Pollock



Government Finance Officers Association

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

Presented to

**Salem Area Mass Transit District  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrell*

Executive Director/CEO

## **Financial Section**



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

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

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

Board of Directors  
Salem Area Mass Transit  
Salem, Oregon

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

We have audited the statements of net position, statements of revenue, expenses and changes in net position, and cash flows of Salem Area Mass Transit (the District) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Salem Area Mass Transit District, as of June 30, 2019 and 2018, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

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

### ***Other Supplementary Information***

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

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

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

## ***Other Reporting Required by 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, 2020, 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, 2020, 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, 2020

## **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, 2019 and 2018. 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 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 total assets increased in FY 2018 from \$61.7 million to \$62.9 million, due to an increase in federal grants receivable.

The District's deferred outflows decreased in FY 2019 by approximately \$1,081,000 but the District's deferred outflows increased in FY 2018 by approximately \$264,000. 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 decreased in FY 2019 by \$1.3 million, due mostly to a decrease in accounts payable and a decrease in the net pension liabilities of the District. The District's total liabilities increased in FY 2018 by \$1.4 million, due mostly to an increase in accounts payable and an increase in the net OPEB obligation of the District.

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 Progress and a \$9.7 million increase in rolling stock offset by yearly depreciation, the unrestricted net position decreased by approximately \$1.2 million.

In FY 2018, the District's total net position decreased by \$129,000, including the net effect related to the prior period restatement. The investment in capital assets increased by approximately \$65,000, mainly due to a \$660,000 increase in Construction in Progress offset by yearly depreciation. Restricted net position for capital projects and special transportation decreased by approximately \$597,000 and \$750,000, respectively, and the unrestricted net position increased by approximately \$1.2 million.

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

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

In fiscal year (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>2019</i>	<i>2018</i>	<i>2017</i>
<b>Assets</b>			
Current and restricted assets	\$ 28,504,479	\$ 29,931,754	\$ 28,795,580
Capital assets, net of depreciation	43,865,763	32,953,227	32,887,854
Total assets	72,370,242	62,884,981	61,683,434
<b>Deferred outflows of resources</b>			
Total assets and deferred outflows of resources	2,267,936	3,349,902	3,086,390
<b>Liabilities</b>			
Current liabilities	2,684,862	2,870,137	3,511,481
Noncurrent liabilities	10,788,269	11,918,844	9,911,645
Total liabilities	13,473,131	14,788,981	13,423,126
<b>Deferred inflows of resources</b>	288,074	228,196	-
<b>Net position</b>			
Investment in capital assets	43,865,763	32,953,227	32,887,854
Restricted for capital projects	1,186,447	2,797,506	3,394,119
Restricted for special transportation	2,797,506	1,257,476	2,007,016
Unrestricted	13,027,257	14,209,497	13,057,709
Total net position	60,876,973	51,217,706	51,346,698
Total liabilities, deferred inflows of resources and net position	\$ 74,638,178	\$ 66,234,883	\$ 64,769,824

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 from the prior year. This increase is due to an increase in federal and state grants for capital acquisitions. Operating expenses decreased almost \$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.

In FY 2018, operating revenue decreased approximately \$535,000 from \$6.2 million to \$5.7 million, or 8.6 percent, from the prior year. This decrease was due to a decrease in the passenger fares because of the elimination of the State employee bus pass program. Non-operating revenues, including capital contributions, increased approximately \$278,000 from the prior year. This increase is due to an increase in federal and state grants for capital acquisition. Operating expenses decreased more than \$2.9 million from the prior year. The majority of the decrease is from a net decrease in materials and services expense of \$1.6 million.

The District's total revenue decreased approximately \$2.2 million, or 5.4 percent, during FY 2019. The District's total revenue decreased approximately \$1.2 million, or 2.9 percent, during FY 2018.

	<i>Year Ended June 30,</i>		
	<i>2019</i>	<i>2018</i>	<i>2017</i>
Operating revenues			
Passenger fares	\$ 2,598,276	\$ 2,934,938	\$ 3,201,972
Accessible services and medicaid	2,257,875	2,361,353	2,455,869
Other revenues	291,406	377,044	550,519
Non-operating revenues			
Property taxes	12,823,442	12,161,750	11,574,433
State assistance	7,239,779	7,440,285	7,371,134
Federal assistance	13,227,316	15,458,127	16,901,469
Other revenues	437,038	354,870	243,413
Total revenue	38,875,132	41,088,367	42,298,809
Operating expenses	(37,356,595)	(40,952,162)	(43,806,669)
Changes in net position before capital contributions	1,518,537	136,205	(1,507,860)
Capital contributions	8,140,730	1,395,752	442,191
Changes in net position	9,659,267	1,531,957	(1,065,669)
<b>Beginning net position</b>	51,217,706	51,346,698	52,412,367
<b>Restatement</b>	-	(1,660,949)	-
<b>Beginning net position (restated)</b>	51,217,706	49,685,749	51,346,698
<b>Ending net position</b>	<u>\$ 60,876,973</u>	<u>\$ 51,217,706</u>	<u>\$ 51,346,698</u>

### Capital Assets

The District's investment in capital assets amounts to \$43.9 million and \$33.0 million net of accumulated depreciation as of June 30, 2019 and 2018 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 2019 was 33.1 percent. The total increase in the District's investment in capital assets for FY 2018 was 0.2 percent.

Major capital projects during FY 2019 included the purchase of revenue vehicles for Cherriots Local, Shop and Ride, 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.

Major capital projects during FY 2018 included the Stops and Shelters project, improvements to the Keizer Transit Center intersection, and the purchase of revenue vehicles for Cherriots Local, Regional, and Lift services. Construction in progress at the end of the year was approximately \$3.2 million for various projects.

	<b>June 30,</b>			<b>Increase/(decrease)</b>	
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2019-2018</b>	<b>2018-2017</b>
Land	\$ 3,250,691	\$ 3,250,691	\$ 3,250,691	\$ -	\$ -
Construction in progress	4,828,265	3,169,587	2,509,592	1,658,678	659,995
Buildings	17,026,541	17,531,894	18,070,840	(505,353)	(538,946)
Land improvements	3,172,162	2,998,170	3,118,703	173,992	(120,533)
Revenue rolling stock	14,287,758	4,556,229	4,582,472	9,731,529	(26,243)
Equipment	1,300,346	1,446,656	1,355,556	(146,310)	91,100
	<u>\$ 43,865,763</u>	<u>\$ 32,953,227</u>	<u>\$ 32,887,854</u>	<u>\$ 10,912,536</u>	<u>\$ 65,373</u>

Additional information on the District’s capital assets can be found in note 4 on pages 21 – 22 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, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Current assets		
Unrestricted cash and cash equivalents	\$ 11,327,415	\$ 12,539,054
Accounts receivable	47,427	66,483
Property taxes receivable	528,434	614,325
Prepaid expenses	398,062	331,456
Inventories	897,124	863,743
Restricted cash and cash equivalents	1,322,208	4,054,983
Federal grants receivable	11,949,217	9,775,289
State grants receivable	2,034,592	1,686,421
Total current assets	<u>28,504,479</u>	<u>29,931,754</u>
Capital assets		
Land	3,250,691	3,250,691
Land improvements (net of depreciation)	3,172,162	2,998,170
Buildings and improvements (net of depreciation)	17,026,541	17,531,894
Buses and equipment (net of depreciation)	15,588,104	6,002,885
Construction in progress	4,828,265	3,169,587
Total capital assets	<u>43,865,763</u>	<u>32,953,227</u>
Total assets	<u>72,370,242</u>	<u>62,884,981</u>
<b>Deferred outflows of resources</b>		
Related to pensions - Non-bargaining	640,810	1,136,246
Related to pensions - Bargaining	1,362,169	1,957,844
Related to OPEB obligation	264,957	255,812
Total deferred outflows of resources	<u>2,267,936</u>	<u>3,349,902</u>
Total assets and deferred outflows of resources	<u>\$ 74,638,178</u>	<u>\$ 66,234,883</u>

	2019	2018
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 428,957	\$ 1,904,388
Accounts payable from restricted assets	1,213,640	139,068
Payroll, withholdings and payroll taxes	531,018	370,178
Construction retainage	16,168	12,003
Due to other governments from restricted assets	93,679	93,682
Accrued vacation and sick leave - current portion	397,704	350,818
Unearned revenue	3,696	-
Total current liabilities	<u>2,684,862</u>	<u>2,870,137</u>
Noncurrent liabilities		
Net pension liability - Non-bargaining	1,283,269	1,792,151
Net pension liability - Bargaining	3,608,448	4,521,651
Total OPEB obligation	4,703,440	4,552,588
Accrued vacation and sick leave, net of current portion	1,193,112	1,052,454
Total noncurrent liabilities	<u>10,788,269</u>	<u>11,918,844</u>
Total liabilities	<u>13,473,131</u>	<u>14,788,981</u>
<b>Deferred inflows of resources</b>		
Related to OPEB obligation	<u>288,074</u>	<u>228,196</u>
<b>Net position</b>		
Investment in capital assets	43,865,763	32,953,227
Restricted for capital projects	1,186,447	2,797,506
Restricted for special transportation	135,761	1,257,476
Unrestricted	<u>15,689,002</u>	<u>14,209,497</u>
Total net position	<u>60,876,973</u>	<u>51,217,706</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 74,638,178</u>	<u>\$ 66,234,883</u>

**Salem Area Mass Transit District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating revenues</b>		
Passenger fares	\$ 2,598,276	\$ 2,934,938
Accessible services and medicaid	2,257,875	2,361,353
Other revenues	<u>291,406</u>	<u>377,044</u>
Total operating revenues	<u>5,147,557</u>	<u>5,673,335</u>
<b>Operating expenses</b>		
Personnel services	22,396,985	19,492,184
Materials and services	12,545,814	19,347,396
Depreciation	2,212,211	2,151,089
OPEB expense	<u>201,585</u>	<u>(38,507)</u>
Total operating expenses	<u>37,356,595</u>	<u>40,952,162</u>
<b>Operating loss</b>	(32,209,038)	(35,278,827)
<b>Non-operating revenues</b>		
Property taxes	12,823,442	12,161,750
State assistance	7,239,779	7,440,285
Federal assistance	13,227,316	15,458,127
Earnings on investments	431,753	354,870
Gain on disposal of capital assets	<u>5,285</u>	<u>-</u>
Total non-operating revenues	<u>33,727,575</u>	<u>35,415,032</u>
Change in net position before capital contributions	1,518,537	136,205
<b>Capital contributions</b>		
Federal and state grants for capital acquisition	<u>8,140,730</u>	<u>1,395,752</u>
Changes in net position	9,659,267	1,531,957
<b>Total net position - beginning of year</b>	<u>51,217,706</u>	<u>51,346,698</u>
<b>Restatement</b>	<u>-</u>	<u>(1,660,949)</u>
<b>Total net position - beginning of year, as restated</b>	<u>51,217,706</u>	<u>49,685,749</u>
<b>Total net position - end of year</b>	<u>\$ 60,876,973</u>	<u>\$ 51,217,706</u>

**Salem Area Mass Transit District**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2019 and 2018**

	2019	2018
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 5,170,309	\$ 5,685,869
Payments to employees for services	(22,379,575)	(20,215,217)
Cash paid to suppliers for good and services	(13,046,660)	(19,039,398)
Net cash used for operating activities	<u>(30,255,926)</u>	<u>(33,568,746)</u>
<b>Cash flows from noncapital financing activities</b>		
Receipts from property taxes	12,909,333	12,078,234
Receipts from state assistance	6,891,605	7,232,924
Receipts from federal assistance	6,555,847	10,805,396
Net cash provided by noncapital financing activities	<u>26,356,785</u>	<u>30,116,554</u>
<b>Cash flows from capital and related financing activities</b>		
Receipts from capital grants	12,638,271	2,478,986
Acquisition and construction of capital assets	(13,130,889)	(2,216,462)
Sale of capital assets	15,592	-
Net cash provided by capital and related financing activities	<u>(477,026)</u>	<u>262,524</u>
<b>Cash flows from investing activities</b>		
Interest received	431,753	354,870
<b>Net change in cash and cash equivalents</b>	(3,944,414)	(2,834,798)
<b>Cash and cash equivalents, July 1</b>	<u>16,594,037</u>	<u>19,428,835</u>
<b>Cash and cash equivalents, June 30</b>	<u>\$ 12,649,623</u>	<u>\$ 16,594,037</u>
<b>Reconciliation of operating loss to net cash used for operating activities</b>		
Operating loss	\$ (32,209,038)	\$ (35,278,827)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	2,212,211	2,151,089
Change in net pension liability and related deferrals	(330,974)	(931,209)
Change in OPEB obligation and related deferrals	201,585	(38,507)
(Increase) decrease in accounts receivable	19,056	12,534
(Increase) decrease in prepaid expenses	(66,606)	2,675
(Increase) decrease in inventories	(33,381)	(135,726)
Increase (decrease) in accounts payable	(1,475,431)	1,538,549
Increase (decrease) in accounts payable from restricted assets	1,074,572	(1,097,500)
Increase (decrease) in payroll, withholdings and payroll taxes	160,840	124,302
Increase (decrease) in accrued vacation and sick leave	187,544	83,874
Increase (decrease) in unearned revenue	3,696	-
Net cash used for operating activities	<u>\$ (30,255,926)</u>	<u>\$ (33,568,746)</u>

**Salem Area Mass Transit District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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

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

**A. Financial Reporting Entity**

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

**B. Organization and Operation**

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

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

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

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

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

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

**Salem Area Mass Transit District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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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, 2019 and 2018**

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**G. Prepaid Expenses**

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

**H. Capital Assets**

Capital assets are stated at cost, except for donated capital assets, which are stated at the 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, 2019 and 2018**

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**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, 2019 and 2018**

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**(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 Improvement Fund*

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

*Special Transportation Fund*

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

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

The District legally adopts its annual budget prior to July 1 through passage of a resolution. The resolution authorizes appropriations by fund and at broad classification levels for 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, 2019 and 2018**

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The Board of Directors, by resolution, may amend the budget as originally adopted. One amendment totaling approximately \$2.6 million was made to the budget during the year ended June 30, 2019. The purpose of the amendment was to appropriate new Statewide Transportation Improvement Fund resources.

The District had the following over expenditures of appropriations for the year ended June 30, 2019:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><i>General Fund</i></b>			
Operations	\$ 19,105,908	\$ 19,171,334	\$ (65,426)
<b><i>Special Transportation Fund</i></b>			
Operations	7,962,175	7,981,676	(19,501)

**(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, 2019 and 2018 the carrying value of cash and investments and fair value are approximately equal. At June 30, 2019 and 2018, cash and investments included in cash and cash equivalents consisted of:

	<u>2019</u>	<u>2018</u>
<b><i>Cash</i></b>		
Cash on hand	\$ 19,347	\$ 7,371
Deposits with financial institutions	2,402,744	1,922,446
<b><i>Investments</i></b>		
Local government investment pool	<u>10,227,532</u>	<u>14,664,220</u>
 <i>Total cash and cash equivalents</i>	 <u><u>\$ 12,649,623</u></u>	 <u><u>\$ 16,594,037</u></u>
 Unrestricted cash and cash equivalents	 \$ 11,327,415	 \$ 12,539,054
Restricted cash and cash equivalents	<u>1,322,208</u>	<u>4,054,983</u>
 <i>Total cash and cash equivalents</i>	 <u><u>\$ 12,649,623</u></u>	 <u><u>\$ 16,594,037</u></u>

**Salem Area Mass Transit District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**A. Deposits**

As of June 30, 2019 and 2018, the book balance of the District's bank deposits (checking accounts) was \$2,418,076 and \$1,922,446 and the bank balance was \$2,985,980 and \$2,782,603 respectively. The difference is due to transactions in process.

**B. Custodial Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned. Effective July 1, 2008, the State of Oregon formed the Oregon Public Funds Collateralization Program under ORS 295. The collateralization program creates a statewide pool of qualified bank depositories for local governments, providing collateralization for bank balances that exceed the limits of federal depository insurance, and eliminating the need for certificates of participation. As of June 30, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018**

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**F. Credit Risk - Investments**

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

**Salem Area Mass Transit District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**(3) Restricted Assets**

Restricted assets are restricted for capital outlay and special transportation.

	<i><b>Total Restricted Assets</b></i>	<i><b>Less Current Liabilities Payable</b></i>	<i><b>Net Restricted Assets (Liabilities)</b></i>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>2019</b>			
<i><b>Restricted for capital projects</b></i>			
Cash and investments	\$ (4,643,233)	\$ (651,234)	\$ (5,294,467)
Federal grants receivable	6,189,981	-	6,189,981
State grants receivable	290,933	-	290,933
	<u>1,837,681</u>	<u>(651,234)</u>	<u>1,186,447</u>
<i><b>Restricted for special transportation</b></i>			
Cash and investments	(1,273,199)	(689,629)	(1,962,828)
Federal grants receivable	2,098,589	-	2,098,589
	<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>
<b>2018</b>			
<i><b>Restricted for capital projects</b></i>			
Cash and investments	\$ 1,186,295	\$ (81,229)	\$ 1,105,066
Federal grants receivable	1,692,440	-	1,692,440
	<u>2,878,735</u>	<u>(81,229)</u>	<u>2,797,506</u>
<i><b>Restricted for special transportation</b></i>			
Cash and investments	(1,730,373)	(163,524)	(1,893,897)
Federal grants receivable	3,063,875	-	3,063,875
State grants receivable	87,498	-	87,498
	<u>1,421,000</u>	<u>(163,524)</u>	<u>1,257,476</u>
	<u>\$ 4,299,735</u>	<u>\$ (244,753)</u>	<u>\$ 4,054,982</u>

**Salem Area Mass Transit District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

**(4) Capital Assets**

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

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
<b>Capital assets, non-depreciable:</b>					
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>
<b>Capital assets, depreciable:</b>					
Buildings	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>
<b>Less accumulated depreciation:</b>					
Buildings	(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>
<b>Net capital assets</b>	<u>\$ 32,953,227</u>	<u>\$ 10,922,843</u>	<u>\$ (10,307)</u>	<u>\$ -</u>	<u>\$ 43,865,763</u>

The changes in capital assets for the year ended June 30, 2018 are summarized below:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
<b>Capital assets, non-depreciable:</b>					
Land	\$ 3,250,691	\$ -	\$ -	\$ -	\$ 3,250,691
Construction in progress	2,509,592	662,683	-	(2,688)	3,169,587
Total capital assets, non-depreciable	<u>5,760,283</u>	<u>662,683</u>	<u>-</u>	<u>(2,688)</u>	<u>6,420,278</u>
<b>Capital assets, depreciable:</b>					
Buildings	24,184,727	-	-	-	24,184,727
Land improvements	3,603,608	-	-	-	3,603,608
Revenue rolling stock	26,176,422	1,240,256	-	2,688	27,419,366
Equipment	5,626,567	313,522	-	-	5,940,089
Total capital assets, depreciable	<u>59,591,324</u>	<u>1,553,778</u>	<u>-</u>	<u>2,688</u>	<u>61,147,790</u>
<b>Less accumulated depreciation:</b>					
Buildings	(6,113,887)	(538,946)	-	-	(6,652,833)
Land improvements	(484,905)	(120,533)	-	-	(605,438)
Revenue rolling stock	(21,593,950)	(1,269,187)	-	-	(22,863,137)
Equipment	(4,271,011)	(222,422)	-	-	(4,493,433)
Total accumulated depreciation	<u>(32,463,753)</u>	<u>(2,151,088)</u>	<u>-</u>	<u>-</u>	<u>(34,614,841)</u>
Net depreciable capital assets	<u>27,127,571</u>	<u>(597,310)</u>	<u>-</u>	<u>2,688</u>	<u>26,532,949</u>
<b>Net capital assets</b>	<u>\$ 32,887,854</u>	<u>\$ 65,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,953,227</u>

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

**(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.

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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	40
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>59</u>
	<u><u>106</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 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, 16.32 percent and 15.43 percent for the years ended June 30, 2019 and 2018, respectively.

The District makes additional level dollar contribution to further reduce the unfunded accrued liability. For the years ended June 30, 2019 and 2018, that amount was \$35,215 and \$34,843 respectively.

*Net Pension Liability*

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.

The District's net pension liability for the non-bargaining plan at June 30, 2018 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, 2017, 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:	6.00%
Mortality:	RP-2000 Combined Healthy Mortality Table projected to 2020 per Scale AA

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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, 2019:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>
Cash	2.70%	0.59%
Core Fixed Income	37.80%	1.48%
Non-US Fixed Income	9.50%	-0.24%
Large Cap US Equities	18.00%	4.35%
Small Cap US Equities	4.00%	5.66%
Mid Cap US Equities	6.00%	4.68%
Developed Foreign Equities	16.20%	5.74%
Emerging Market Equities	2.80%	7.97%
Small Cap Foreign Equities	3.00%	6.31%
	100.00%	
		<b>6.00%</b>

*Rate of Return*

For the years ended June 30, 2019 and 2018, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.56 percent and 4.91 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 6.00 percent for the years ended June 30, 2019 and 2018, 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.

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**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance at June 30, 2018</b>	\$ 8,508,461	\$ 6,716,310	\$ 1,792,151
<b>Changes for the year:</b>			
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)
<b>Balance at June 30, 2019</b>	<u>\$ 8,463,692</u>	<u>\$ 7,180,423</u>	<u>\$ 1,283,269</u>

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance at June 30, 2017</b>	\$ 8,162,002	\$ 6,060,405	\$ 2,101,597
<b>Changes for the year:</b>			
Service cost	83,240	-	83,240
Interest on total pension liability	475,952	-	475,952
Effect of economic/demographic gains or losses	421,920	-	421,920
Benefit payments	(634,653)	(634,653)	-
Employer contributions	-	644,325	(644,325)
ICMA transfers	-	339,751	(339,751)
Net investment income	-	306,483	(306,483)
<b>Balance at June 30, 2018</b>	<u>\$ 8,508,461</u>	<u>\$ 6,716,310</u>	<u>\$ 1,792,151</u>

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

The following presents the net pension liability of the District, calculated using a discount rate of 6.00 percent for FY2019 and FY2018, 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	
	2019	2018
1% decrease (5.00%)	\$ 2,722,934	\$ 3,176,545
Current discount rate (6.00%)	1,283,269	1,792,151
1% increase (7.00%)	133,894	684,545

**Salem Area Mass Transit District**  
**Notes to the Basic Financial Statements**  
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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, 2019 and 2018, The District recognized pension expense of \$510,436 and \$554,891, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2019:

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 322,390
Changes of assumptions or inputs	-	215,084
Net difference between projected and actual earnings	-	103,336
Total	<u>\$ -</u>	<u>\$ 640,810</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:	
2020	\$ 491,982
2021	97,158
2022	32,582
2023	19,088
	<u>\$ 640,810</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	87
Inactive employees entitled to but not yet receiving benefits	22
Active employees	<u>124</u>
	<u><u>233</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, 31.58 percent and 27.04 percent for the years ended June 30, 2019 and 2018, respectively.

*Net Pension Liability*

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.

The District's net pension liability for the non-bargaining plan at June 30, 2018 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, 2017, 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:	6.00%
Mortality:	RP-2000 Combined Healthy Mortality Table projected to 2020 per Scale AA

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**  
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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, 2019:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>
Cash	2.70%	0.59%
Core Fixed Income	37.80%	1.48%
Non-US Fixed Income	9.50%	-0.24%
Large Cap US Equities	18.00%	4.35%
Small Cap US Equities	4.00%	5.66%
Mid Cap US Equities	6.00%	4.68%
Developed Foreign Equities	16.20%	5.74%
Emerging Market Equities	2.80%	7.97%
Small Cap Foreign Equities	3.00%	6.31%
	100.00%	
		<b>6.00%</b>

*Rate of Return*

For the years ended June 30, 2019 and 2018, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.36 percent and 4.99 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 6.00 percent for the years ended June 30, 2019 and 2018, 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

**Salem Area Mass Transit District**  
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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
<b>Balance at June 30, 2018</b>	\$ 23,919,367	\$ 19,397,716	\$ 4,521,651
<b>Changes for the year:</b>			
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)
<b>Balance at June 30, 2019</b>	<u>\$ 25,098,434</u>	<u>\$ 21,489,986</u>	<u>\$ 3,608,448</u>

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance at June 30, 2017</b>	\$ 22,319,353	\$ 17,411,836	\$ 4,907,518
<b>Changes for the year:</b>			
Service cost	713,819	-	713,819
Interest on total pension liability	1,350,700	-	1,350,700
Effect of economic/demographic gains or losses	593,874	-	593,874
Benefit payments	(1,058,379)	(1,058,379)	-
Employer contributions	-	1,846,814	(1,846,814)
ICMA transfers	-	304,729	(304,729)
Net investment income	-	892,716	(892,716)
<b>Balance at June 30, 2018</b>	<u>\$ 23,919,367</u>	<u>\$ 19,397,716</u>	<u>\$ 4,521,651</u>

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

The following presents the net pension liability of the District, calculated using a discount rate of 6.00 percent for FY2019 and FY2018, 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:

	<b>Net Pension Liability</b>	
	<b>2019</b>	<b>2018</b>
1% decrease (5.00%)	\$ 6,550,598	\$ 7,369,799
Current discount rate (6.00%)	3,608,448	4,521,651
1% increase (7.00%)	1,095,003	2,093,449

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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, 2019 and 2018, the District recognized pension expense of \$1,362,919 and \$940,849, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2019:

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 525,795
Changes of assumptions or inputs	-	519,385
Net difference between projected and actual earnings	-	316,989
Total	<u>\$ -</u>	<u>\$ 1,362,169</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:	
2020	\$ 781,144
2021	285,369
2022	218,660
2023	76,996
	<u>\$ 1,362,169</u>

**Salem Area Mass Transit District**  
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**B. Defined Contribution Plan**

*Plan Description*

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

*Benefits Provided*

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

*Contributions*

The District makes all contributions to the plan. The District's contributions for each 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, 2019 and 2018, employer contributions recognized as expense were \$466,604 and \$445,713, 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	59
Eligible retirees	4
Spouses of ineligible retirees	-
	<u>63</u>

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*Bargaining Employees Covered by Benefit Terms:*

Active employees	124
Eligible retirees	8
Spouses of ineligible retirees	-
	132

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

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

**B. Funding Policy**

The District collects insurance premiums, net of applied explicit benefits, from all retirees each month. The District then pays health insurance premiums for all retirees at the blended rate for each family classification. The required contribution to the plan included the employer's pay-as-you-go amount, an amount paid by retirees and an additional amount calculated to prefund future benefits as determined by the actuary. The District has elected to not pre-fund the actuarially determined future cost. The amount paid by the District for retirees, and eligible retiree spouses, healthcare for the years ended June 30, 2019 and 2018 was \$145,135 and \$158,676 respectively.

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

As of June 30, 2019, the District reported a total OPEB liability of \$4,703,440, based on a July 1, 2017 actuarial valuation, rolled forward to the measurement date of June 30, 2019. For the year ended June 30, 2019, the District recognized OPEB expense of \$201,585.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Changes of assumptions or inputs	\$ 288,074	\$ -
Benefit payments	-	264,957
Total	\$ 288,074	\$ 264,957

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Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (45,811)
2021	(45,811)
2022	(45,811)
2023	(45,811)
2024	(45,811)
Thereafter	(59,019)
	<u>\$ (288,074)</u>

**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 pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

**Salem Area Mass Transit District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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Inflation rate:	2.75%
Salary increases:	3.00%
Actuarial valuation method:	Entry age normal level percent of salary
Mortality:	RP-2000 Combined Health Mortality Table projected to 2020 per Scale AA

**E. Changes in the Total OPEB Liability**

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Total OPEB liability, beginning of year	\$ 4,553	\$ 4,591
Service cost	342	373
Interest on total OPEB liability	171	137
Effect of assumption changes or inputs	(106)	(261)
Benefit payments	<u>(256)</u>	<u>(289)</u>
Net change in total OPEB liability	151	(39)
Total OPEB liability, ending of year	<u><u>\$ 4,703</u></u>	<u><u>\$ 4,553</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:*

	<u>OPEB Liability</u> <u>2019</u>
1% decrease (2.87%)	\$ 5,076,065
Current discount rate (3.87%)	4,703,440
1% increase (4.87%)	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:*

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

**Salem Area Mass Transit District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**(7) Tax Abatement**

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>

The District's property taxes were reduced by \$62,843 in FY18 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)	\$ 38,771
City of Salem	Multiple Unit Housing (ORS 307.600 to 637)	13,513
State of Oregon	Historical Property (ORS 358.475 to 565)	10,559
		<u>\$ 62,843</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) Reclassification**

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

**(10) 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.



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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**  
**For the Years Ended June 30, 2019 and 2018**

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

<sup>1</sup> 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, 2019 and 2018**

	2019	2018	2017	2016
Actuarially determined contribution	\$ 666,464	\$ 609,482	\$ 512,754	\$ 386,311
Actual employer contribution	701,679	644,325	566,742	472,904
Contribution deficiency(excess)	\$ (35,215)	\$ (34,843)	\$ (53,988)	\$ (86,593)
Covered payroll	\$ 4,299,770	\$ 4,174,534	\$ 3,512,016	\$ 3,449,206
Contribution as a % of covered payroll	16.32%	15.43%	16.14%	13.71%

**Notes to Schedule:**

Valuation date: 7/1/2017

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 7/1/17: 12 years

Amortization growth rate: 0.00%

Asset valuation method: Market 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-2000 Combined healthy morality with projection to 2020 per Scale AA

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2015	2014	2013	2012	2011	2010
\$ 400,040	\$ 464,148	\$ 418,720	\$ 544,976	\$ 511,342	\$ 354,515
450,685	1,069,000	704,449	316,025	391,913	328,377
\$ (50,645)	\$ (604,852)	\$ (285,729)	\$ 228,951	\$ 119,429	\$ 26,138
\$ 3,571,786	\$ 3,683,712	\$ 3,323,178	\$ 3,707,321	\$ 3,478,516	\$ 3,313,227
12.62%	29.02%	21.20%	8.52%	11.27%	9.91%

**Salem Area Mass Transit District**  
**Schedule of Changes in the Net Pension Liability and Related Ratios, Bargaining**  
**For the Years Ended June 30, 2019 and 2018**

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

<sup>1</sup> 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, 2019 and 2018**

	2019	2018	2017	2016
Actuarially determined contribution	\$ 2,075,440	\$ 1,871,550	\$ 1,620,016	\$ 1,447,252
Actual employer contribution	2,221,893	1,846,814	1,778,155	1,470,050
Contribution deficiency(excess)	\$ (146,453)	\$ 24,736	\$ (158,139)	\$ (22,798)
Covered payroll	\$ 7,035,389	\$ 6,830,475	\$ 5,912,467	\$ 5,883,137
Contribution as a % of covered payroll	31.58%	27.04%	30.07%	24.99%

**Notes to Schedule:**

Valuation date: 7/1/2017

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 7/1/17: 12 years

Amortization growth rate: 0.00%

Asset valuation method: Market 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-2000 Combined healthy morality with projection to 2020 per Scale AA

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2015	2014	2013	2012	2011	2010
\$ 1,385,691	\$ 1,403,446	\$ 1,310,605	\$ 1,336,104	\$ 1,316,567	\$ 1,176,679
1,374,052	2,362,838	1,314,866	1,352,215	1,172,427	1,138,077
\$ 11,639	\$ (959,392)	\$ (4,261)	\$ (16,111)	\$ 144,140	\$ 38,602
\$ 5,632,890	\$ 6,209,939	\$ 5,850,916	\$ 5,991,497	\$ 5,903,889	\$ 6,003,464
24.39%	38.05%	22.47%	22.57%	19.86%	18.96%

**Salem Area Mass Transit District**  
**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**  
**For the Years Ended June 30, 2019 and 2018**

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Schedule of Changes in the Total OPEB Liability and Related Ratios  
(in 1,000s)

Last 10 Fiscal Years<sup>1</sup>  
Fiscal Year ending June 30

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Total OPEB liability, beginning of year	\$ 4,553	\$ 4,591
Service cost	342	373
Interest on total OPEB liability	171	137
Effect of assumption changes or inputs	(106)	(261)
Benefit payments	<u>(256)</u>	<u>(289)</u>
Net change in total OPEB liability	151	(39)
Total OPEB liability, ending of year	<u>\$ 4,703</u>	<u>\$ 4,553</u>
Covered payroll	\$ 11,335	\$ 11,005
Net OPEB liability as a % of covered payroll	41.49%	41.37%

<sup>1</sup> 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
- Special Transportation 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, 2019**

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Local revenue				
Passenger fares, passes & other fixed route services	\$ 2,442,500	\$ 2,442,500	\$ 2,196,271	\$ (246,229)
Property taxes	12,033,794	12,033,794	12,868,092	834,298
Advertising & other promotions	81,000	81,000	144,187	63,187
Courthouse square rentals	81,000	81,000	93,508	12,508
Earnings on investments	290,000	290,000	431,753	141,753
Miscellaneous	79,946	79,946	62,180	(17,766)
Total local revenue	<u>15,008,240</u>	<u>15,008,240</u>	<u>15,795,991</u>	<u>787,751</u>
State revenue				
Energy tax credits	225,000	225,000	-	(225,000)
STIF formula funds	-	2,196,015	2,569,251	373,236
State in lieu taxes	6,100,000	6,100,000	6,250,829	150,829
Total state revenue	<u>6,325,000</u>	<u>8,521,015</u>	<u>8,820,080</u>	<u>299,065</u>
Federal revenue				
Urbanized area formula (Section 5307)	4,669,000	4,669,000	3,632,223	(1,036,777)
FTA metropolitan & statewide planning (5303)	113,761	113,761	113,761	-
Total federal revenue	<u>4,782,761</u>	<u>4,782,761</u>	<u>3,745,984</u>	<u>(1,036,777)</u>
Total revenues	<u>26,116,001</u>	<u>28,312,016</u>	<u>28,362,055</u>	<u>50,039</u>
<b>Expenditures</b>				
General Manager/Board of Directors	610,156	610,156	587,320	22,836
Administration	903,837	883,837	834,894	48,943
Finance	1,173,797	1,173,797	1,161,178	12,619
Communication	1,670,267	1,530,267	1,514,056	16,211
Transportation Development	2,287,189	2,217,189	2,179,474	37,715
Operations	18,210,909	19,105,908	19,171,334	(65,426)
Unallocated	1,115,454	1,035,454	1,003,128	32,326
Contingency	1,500,000	1,120,000	-	1,120,000
Total expenditures	<u>27,471,609</u>	<u>27,676,608</u>	<u>26,451,384</u>	<u>1,225,224</u>
Excess (deficiency) of revenues over expenditures	(1,355,608)	635,408	1,910,671	1,275,263
<b>Other financing sources (uses)</b>				
Transfer out to other funds	-	(380,000)	(335,448)	44,552
Net change in fund balance	(1,355,608)	255,408	1,575,223	1,319,815
<b>Fund balance, beginning of year</b>	<u>19,876,848</u>	<u>19,876,848</u>	<u>20,583,601</u>	<u>706,753</u>
<b>Fund balance, end of year</b>	<u>\$ 18,521,240</u>	<u>\$ 20,132,256</u>	<u>\$ 22,158,824</u>	<u>\$ 2,026,568</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 Improvement Fund**  
**For the Year Ended June 30, 2019**

Revenues	Budget		Actual	Variance
	Original	Final		
State Revenue				
Special Transportation Fund Discretionary Grant Program	\$ 1,316,000	\$ 1,316,000	\$ 295,507	\$ (1,020,493)
STIF formula funds	-	220,000	275,000	55,000
Total state revenue	<u>1,316,000</u>	<u>1,536,000</u>	<u>570,507</u>	<u>(965,493)</u>
Federal revenue				
Urbanized area formula (Section 5307)	5,949,564	5,949,564	841,573	(5,107,991)
Federal STP Funds	5,896,564	5,896,564	6,330,297	433,733
Transportation for elderly persons and persons with disabilities (5310)	192,069	192,069	130,034	(62,035)
Bus & Bus Facilities Infrastructure Investment Program (5339)	6,810,199	6,810,199	2,610,616	(4,199,583)
Discretionary grants - section (5309)	1,537,886	1,537,886	940,771	(597,115)
Federal Flex Funds	<u>3,948,120</u>	<u>3,948,120</u>	<u>123,225</u>	<u>(3,824,895)</u>
Total federal revenue	<u>24,334,402</u>	<u>24,334,402</u>	<u>10,976,516</u>	<u>(13,357,886)</u>
Total revenues	<u>25,650,402</u>	<u>25,870,402</u>	<u>11,547,023</u>	<u>(14,323,379)</u>
Expenditures				
Administration	218,200	218,200	156,004	62,196
Transportation Development	10,134,065	10,134,065	1,728,594	8,405,471
Operations	18,754,849	18,974,849	11,268,595	7,706,254
Communication	<u>20,000</u>	<u>20,000</u>	<u>4,889</u>	<u>15,111</u>
Total expenditures	<u>29,127,114</u>	<u>29,347,114</u>	<u>13,158,082</u>	<u>16,189,032</u>
Net change in fund balance	(3,476,712)	(3,476,712)	(1,611,059)	1,865,653
Fund balance, beginning of year	<u>3,972,282</u>	<u>3,972,282</u>	<u>2,797,506</u>	<u>(1,174,776)</u>
Fund balance, end of year	<u>\$ 495,570</u>	<u>\$ 495,570</u>	<u>\$ 1,186,447</u>	<u>\$ 690,877</u>

**Salem Area Mass Transit District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual On A Non-GAAP Budgetary Basis –Special Transportation Fund**  
**For the Year Ended June 30, 2019**

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Local revenue				
Passenger fares	\$ 253,320	\$ 253,320	\$ 402,005	\$ 148,685
Miscellaneous income	-	-	7,123	7,123
Total local revenue	<u>253,320</u>	<u>253,320</u>	<u>409,128</u>	<u>155,808</u>
State revenue				
Special transportation fund program (ODOT)	988,949	1,238,949	984,376	(254,573)
STIF formula funds	-	-	727,752	727,752
Total state revenue	<u>988,949</u>	<u>1,238,949</u>	<u>1,712,128</u>	<u>473,179</u>
Federal revenue				
Developmental disabilities transportation services (DD53)	2,415,721	2,415,721	2,257,875	(157,846)
Transportation for elderly persons and persons with disabilities (5310)	1,891,995	1,248,179	1,179,990	(68,189)
Formula grants for other than urbanized areas (5311)	700,434	372,010	393,057	21,047
Rideshare/TDM grant	428,450	449,046	393,729	(55,317)
Urbanized area formula (Section 5307)	781,866	781,866	815,834	33,968
Total federal revenue	<u>6,218,466</u>	<u>5,266,822</u>	<u>5,040,485</u>	<u>(226,337)</u>
Total revenues	<u>7,460,735</u>	<u>6,759,091</u>	<u>7,161,741</u>	<u>402,650</u>
<b>Expenditures</b>				
Transportation Development	699,034	874,034	639,355	234,679
Operations	7,507,275	7,962,175	7,981,676	(19,501)
Total expenditures	<u>8,206,309</u>	<u>8,836,209</u>	<u>8,621,031</u>	<u>215,178</u>
Excess (deficiency) of revenues over expenditures	(745,574)	(2,077,118)	(1,459,290)	187,472
<b>Other financing sources (uses)</b>				
Transfer from general fund	-	380,000	335,448	(44,552)
<b>Net change in fund balance</b>	(745,574)	(1,697,118)	(1,123,842)	573,276
<b>Fund balance, beginning of year</b>	<u>2,102,046</u>	<u>2,102,046</u>	<u>1,334,481</u>	<u>(767,565)</u>
<b>Fund balance, end of year</b>	<u>\$ 1,356,472</u>	<u>\$ 404,928</u>	<u>\$ 210,639</u>	<u>\$ (194,289)</u>

**Salem Area Mass Transit District  
Schedule of Expenditure Comparison  
Budgetary Division Basis vs Object Classification Basis  
For the Year Ended June 30, 2019**

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	General Fund	Capital Project Fund	Special Transportation Fund	District Wide Total
<b>Expenditures by Division</b>				
General Manager/Board of Directors	\$ 587,320	\$ -	\$ -	\$ 587,320
Administration	834,894	156,004	-	990,898
Finance	1,161,178	-	-	1,161,178
Communication	1,514,056	4,889	-	1,518,945
Transportation Development	2,179,474	1,728,594	639,355	4,547,423
Operations	19,171,334	11,268,595	7,981,676	38,421,605
Unallocated	1,003,128	-	-	1,003,128
Total expenditures	<u>\$ 26,451,384</u>	<u>\$ 13,158,082</u>	<u>\$ 8,621,031</u>	<u>\$ 48,230,497</u>
<b>Expenditures by Object Classification</b>				
Personnel services	\$ 21,433,081	\$ 70,013	\$ 1,046,534	\$ 22,549,628
Materials and services	5,018,303	37,265	7,504,942	12,560,510
Capital outlay	-	13,050,804	69,555	13,120,359
Total expenditures	<u>\$ 26,451,384</u>	<u>\$ 13,158,082</u>	<u>\$ 8,621,031</u>	<u>\$ 48,230,497</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, 2019**

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Net change in fund balance:	
General fund	\$ 1,575,223
Capital improvement fund	(1,611,059)
Special transportation fund	<u>(1,123,842)</u>
Total change in fund balance	(1,159,678)
GAAP basis adjustments:	
Capitalized capital assets	13,135,054
Depreciation expense	(2,212,211)
Gain (loss) on disposal of assets	(10,307)
Accrued compensated absences	(187,544)
Net pension obligation including related deferrals	340,188
Property taxes accrual	(44,650)
OPEB liability adjustment including related deferrals	<u>(201,585)</u>
Change in net position	<u>\$ 9,659,267</u>



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**Salem Area Mass Transit District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Capital Improvement Projects on a Non-GAAP Budget Basis**  
**For the Year Ended June 30, 2019**

<b>Revenues</b>	Capital Project Administration	Del Webb Facility Improvements	ADA Assesment Center	Cherriots Vehicles
State Revenue				
Special Transportation Fund Discretionary Grant Program	\$ -	\$ -	\$ -	\$ -
STIF formula funds	-	-	-	-
Total state revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Federal revenue				
Urbanized area formula (Section 5307)	-	83,834	-	425,358
Federal STP Funds	-	-	-	6,191,999
Transportation for elderly persons and persons with disabilities (5310)	-	-	-	-
Bus & Bus Facilities Infrastructure Investment Program (5339)	-	-	-	2,610,616
Discretionary grants - section (5309)	-	-	-	-
Federal Flex Funds	-	-	-	-
Total federal revenue	<u>-</u>	<u>83,834</u>	<u>-</u>	<u>9,227,973</u>
Total revenues	<u>-</u>	<u>83,834</u>	<u>-</u>	<u>9,227,973</u>
<b>Expenditures</b>				
Personnel services	-	1,053	-	3,241
Materials and services	-	-	-	26,825
Capital outlay	-	102,285	-	10,667,972
Total expenditures	<u>-</u>	<u>103,338</u>	<u>-</u>	<u>10,698,038</u>
Net change in fund balance	-	(19,504)	-	(1,470,065)
<b>Fund balance, beginning of year</b>	<u>39,386</u>	<u>27,178</u>	<u>2,010</u>	<u>1,802,828</u>
<b>Fund balance, end of year</b>	<u>\$ 39,386</u>	<u>\$ 7,674</u>	<u>\$ 2,010</u>	<u>\$ 332,763</u>

Cherriots Lift Vehicles	Regional Vehicles	Shop and Ride Vehicles	Keizer Transit Center	South Salem Transit Center	Bus Stop Improvements	Equipment	Courthouse Square Improvements	Total Capital Improvement Fund
\$ 223,033	\$ -	\$ 72,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 295,507
-	275,000	-	-	-	-	-	-	275,000
<u>223,033</u>	<u>275,000</u>	<u>72,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>570,507</u>
-	-	-	-	-	-	332,381	-	841,573
-	-	-	-	1,799	118,228	18,271	-	6,330,297
130,034	-	-	-	-	-	-	-	130,034
-	-	-	-	-	-	-	-	2,610,616
-	-	-	940,771	-	-	-	-	940,771
-	-	-	-	-	123,225	-	-	123,225
<u>130,034</u>	<u>-</u>	<u>-</u>	<u>940,771</u>	<u>1,799</u>	<u>241,453</u>	<u>350,652</u>	<u>-</u>	<u>10,976,516</u>
<u>353,067</u>	<u>275,000</u>	<u>72,474</u>	<u>940,771</u>	<u>1,799</u>	<u>241,453</u>	<u>350,652</u>	<u>-</u>	<u>11,547,023</u>
85	-	-	1,324	70	665	63,575	-	70,013
554	-	358	1,612	5,711	1,110	1,095	-	37,265
<u>360,578</u>	<u>366</u>	<u>72,116</u>	<u>1,161,025</u>	<u>8,510</u>	<u>297,290</u>	<u>380,662</u>	<u>-</u>	<u>13,050,804</u>
<u>361,217</u>	<u>366</u>	<u>72,474</u>	<u>1,163,961</u>	<u>14,291</u>	<u>299,065</u>	<u>445,332</u>	<u>-</u>	<u>13,158,082</u>
(8,150)	274,634	-	(223,190)	(12,492)	(57,612)	(94,680)	-	(1,611,059)
<u>83,276</u>	<u>210,541</u>	<u>-</u>	<u>368,115</u>	<u>25,734</u>	<u>207,205</u>	<u>26,233</u>	<u>5,000</u>	<u>2,797,506</u>
<u>\$ 75,126</u>	<u>\$ 485,175</u>	<u>\$ -</u>	<u>\$ 144,925</u>	<u>\$ 13,242</u>	<u>\$ 149,593</u>	<u>\$ (68,447)</u>	<u>\$ 5,000</u>	<u>\$ 1,186,447</u>

**Salem Area Mass Transit District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Special Transportation Programs on a Non-GAAP Budget Basis**  
**For the Year Ended June 30, 2019**

	Cherriots Lift	Cherriots Shop & Ride
<b>Revenues</b>		
Local revenue		
Passenger fares	\$ 222,348	\$ 24,153
Miscellaneous income	<u>7,123</u>	<u>-</u>
Total local revenue	229,471	24,153
State revenue		
Special transportation fund program (ODOT)	249,410	81,082
STIF formula funds	<u>99,644</u>	<u>-</u>
Total state revenue	<u>349,054</u>	<u>81,082</u>
Federal revenue		
Developmental disabilities transportation services (DD53)	2,257,875	-
Transportation for elderly persons and persons with disabilities (5310)	166,564	362,897
Formula grants for other than urbanized areas (5311)	-	-
Rideshare/TDM grant	-	-
Urbanized area formula (Section 5307)	<u>815,834</u>	<u>-</u>
Total federal revenue	<u>3,240,273</u>	<u>362,897</u>
Total revenues	<u>3,818,798</u>	<u>468,132</u>
<b>Expenditures</b>		
Personnel services	348,951	30,887
Materials and services		
Other materials and services	4,807,105	299,244
Call center allocation	<u>782,126</u>	<u>146,649</u>
Total expenditures	<u>5,938,182</u>	<u>476,780</u>
Excess (deficiency) of revenues over expenditures	(2,119,384)	(8,648)
<b>Other financing sources (uses)</b>		
Transfer from general fund	326,800	8,648
<b>Net change in fund balance</b>	(1,792,584)	-
<b>Fund balance, beginning of year</b>	<u>556,061</u>	<u>36,854</u>
<b>Fund balance, end of year</b>	<u>\$ (1,236,523)</u>	<u>\$ 36,854</u>

<u>Cherriots Regional</u>	<u>DMAP/ WVCH</u>	<u>Charriots Call Center</u>	<u>Mobility Management</u>	<u>Special Transportatio n Coordination</u>	<u>Cherriots TripChoice</u>	<u>Total Special Transportation Fund</u>
\$ 155,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 402,005
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,123</u>
155,504	-	-	-	-	-	409,128
362,468	-	-	22,982	268,434	-	984,376
<u>195,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>432,983</u>	<u>-</u>	<u>727,752</u>
<u>557,593</u>	<u>-</u>	<u>-</u>	<u>22,982</u>	<u>701,417</u>	<u>-</u>	<u>1,712,128</u>
-	-	-	-	-	-	2,257,875
450,820	-	-	199,709	-	-	1,179,990
393,057	-	-	-	-	-	393,057
-	-	-	-	-	393,729	393,729
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>815,834</u>
<u>843,877</u>	<u>-</u>	<u>-</u>	<u>199,709</u>	<u>-</u>	<u>393,729</u>	<u>5,040,485</u>
<u>1,556,974</u>	<u>-</u>	<u>-</u>	<u>222,691</u>	<u>701,417</u>	<u>393,729</u>	<u>7,161,741</u>
129,713	(1)	19,503	185,874	2,000	329,607	1,046,534
1,183,253	(17,825)	888,599	36,817	244,404	63,344	7,504,941
<u>48,883</u>	<u>-</u>	<u>(908,102)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,556</u>
<u>1,361,849</u>	<u>(17,826)</u>	<u>-</u>	<u>222,691</u>	<u>246,404</u>	<u>392,951</u>	<u>8,621,031</u>
195,125	17,826	-	-	455,013	-	(1,459,290)
-	-	-	-	-	-	335,448
195,125	17,826	-	-	455,013	778	(1,123,842)
<u>766</u>	<u>745,220</u>	<u>-</u>	<u>17,611</u>	<u>(22,031)</u>	<u>-</u>	<u>1,334,481</u>
<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>

## **Statistical Section**

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

### Contents

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#### Financial Trend Information

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

#### Revenue Capacity Information

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

#### Demographic and Economic Information

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

#### Operating Information

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

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



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## **Financial Trend Information**



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

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	2010	2011	2012
<b>ASSETS</b>			
Current and other assets	\$ 15,370,036	\$ 17,728,733	\$ 23,652,119
Capital assets, net	27,433,790	33,014,713	28,156,242
Total assets	<u>42,803,826</u>	<u>50,743,446</u>	<u>51,808,361</u>
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	<u>\$ 42,803,826</u>	<u>\$ 50,743,446</u>	<u>\$ 51,808,361</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current liabilities	\$ 4,840,891	\$ 5,355,014	\$ 7,938,659
Noncurrent liabilities	813,866	1,153,604	1,523,030
Total liabilities	<u>5,654,757</u>	<u>6,508,618</u>	<u>9,461,689</u>
Deferred inflow of resources	-	-	-
<b>NET POSITION</b>			
Investment in capital assets	27,433,790	33,014,713	28,156,242
Restricted for capital projects and special transportation	6,058,918	1,699,364	2,178,935
Unrestricted	3,656,361	9,520,751	12,011,495
Total net position	<u>37,149,069</u>	<u>44,234,828</u>	<u>42,346,672</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 42,803,826</u>	<u>\$ 50,743,446</u>	<u>\$ 51,808,361</u>

2013	(restated) 2014	(restated) 2015	2016	2017	(restated) 2018	2019
\$ 24,153,129	\$ 20,148,979	\$ 24,911,083	\$ 29,396,596	\$ 28,795,580	\$ 29,931,754	\$ 28,504,479
34,371,636	36,855,141	35,578,093	34,434,992	32,887,854	32,953,227	43,865,763
58,524,765	57,004,120	60,489,176	63,831,588	61,683,434	62,884,981	72,370,242
-	-	277,838	3,349,887	3,086,390	3,349,902	2,267,936
<u>\$ 58,524,765</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>
\$ 6,078,400	\$ 3,717,897	\$ 3,488,792	\$ 4,266,140	\$ 3,511,481	\$ 3,922,591	\$ 3,877,974
1,904,030	7,826,851	7,451,813	10,502,968	9,911,645	10,866,390	9,595,157
7,982,430	11,544,748	10,940,605	14,769,108	13,423,126	14,788,981	13,473,131
-	675,936	-	-	-	228,196	288,074
34,371,636	36,855,141	34,772,770	34,434,992	32,887,854	32,953,227	43,865,763
4,928,337	5,055,907	5,957,083	6,577,713	5,401,135	4,054,982	3,983,953
11,242,362	2,872,388	8,291,233	11,399,662	13,057,709	14,209,497	13,027,257
50,542,335	44,783,436	49,826,409	52,412,367	51,346,698	51,217,706	60,876,973
<u>\$ 58,524,765</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>

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

	2010	2011	2012
<b>OPERATING REVENUES:</b>			
Passenger fares	\$ 2,095,166	\$ 2,271,146	\$ 2,916,951
Accessible services and medicaid	-	1,255,467	2,472,645
Other revenue	886,411	501,722	594,405
Total operating revenues	<u>2,981,577</u>	<u>4,028,335</u>	<u>5,984,001</u>
<b>OPERATING EXPENSES:</b>			
Personnel services	15,408,544	15,536,920	15,715,505
Materials and services	15,143,728	13,275,500	14,901,593
Depreciation	2,341,038	2,699,400	3,556,442
OPEB expense	406,933	339,738	369,426
Total operating expenses	<u>33,300,243</u>	<u>31,851,558</u>	<u>34,542,966</u>
Operating loss	(30,318,666)	(27,823,223)	(28,558,965)
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Property taxes	9,461,631	9,632,849	9,733,903
State assistance	7,764,506	7,615,152	7,459,771
Federal assistance	13,010,303	10,306,319	11,014,530
Investment income	32,217	44,304	58,336
Insurance Settlement	-	-	-
(Loss) gain on disposal of capital assets	-	-	(21,817)
Total non-operating revenues (expenses)	<u>30,268,657</u>	<u>27,598,624</u>	<u>28,244,723</u>
Net income (loss) before contributions	(50,009)	(224,599)	(314,242)
<b>EXTRAORDINARY ITEMS</b>			
Loss on capital asset impairment	-	-	(4,033,628)
Litigation settlement	-	-	-
<b>CAPITAL CONTRIBUTIONS</b>	<u>2,732,979</u>	<u>7,310,358</u>	<u>2,459,714</u>
Change in net position	2,682,970	7,085,759	(1,888,156)
<b>NET POSITION, BEGINNING</b>	<u>34,466,099</u>	<u>37,149,069</u>	<u>44,234,828</u>
<b>Cumulative effect of restatement</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION, ENDING</b>	<u>\$ 37,149,069</u>	<u>\$ 44,234,828</u>	<u>\$ 42,346,672</u>

2013	(restated) 2014	(restated) 2015	2016	2017	(restated) 2018	2019
\$ 2,793,604	\$ 2,776,575	\$ 2,817,514	\$ 2,694,423	\$ 3,201,972	\$ 2,934,938	\$ 2,598,276
3,127,234	3,129,220	2,948,422	2,662,441	2,455,869	2,361,353	2,257,875
653,937	465,052	365,058	366,047	550,519	377,044	291,406
<u>6,574,775</u>	<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>
16,130,831	13,960,216	16,204,737	18,478,140	20,359,793	19,492,184	22,396,985
16,200,005	18,310,843	20,294,244	20,170,430	20,947,830	19,347,396	12,545,814
2,883,582	3,032,068	3,059,323	2,576,402	2,305,590	2,151,089	2,212,211
381,000	381,000	219,749	204,295	193,456	(38,507)	201,585
<u>35,595,418</u>	<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>
(29,020,643)	(29,313,280)	(33,647,059)	(35,706,356)	(37,598,309)	(35,278,827)	(32,209,038)
9,984,733	10,179,017	10,714,350	11,258,672	11,574,433	12,161,750	12,823,442
5,251,979	5,746,114	7,708,296	7,195,009	7,371,134	7,440,285	7,239,779
12,538,020	11,786,100	18,721,493	18,198,155	16,901,469	15,458,127	13,227,316
65,672	53,457	94,776	140,579	241,753	354,870	431,753
-	-	22,557	29,942	-	-	-
14,000	1,859	8,607	(39,539)	1,660	-	5,285
<u>27,854,404</u>	<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>33,727,575</u>
(1,166,239)	(1,546,733)	3,623,020	1,076,462	(1,507,860)	136,205	1,518,537
-	-	-	-	-	-	-
3,842,554	-	-	-	-	-	-
<u>5,519,348</u>	<u>4,691,727</u>	<u>644,630</u>	<u>1,509,496</u>	<u>442,191</u>	<u>1,395,752</u>	<u>8,140,730</u>
8,195,663	3,144,994	4,267,650	2,585,958	(1,065,669)	1,531,957	9,659,267
<u>42,346,672</u>	<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>
-	(8,903,893)	775,323	-	-	(1,660,949)	-
<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>

## **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 Utilities
	Residential	Commercial	Other	
2019	\$ 11,526,943,377	\$ 4,878,211,863	\$ 1,072,775,993	\$ 560,447,840
2018	11,068,458,308	4,600,364,806	1,041,137,214	572,108,800
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
2010	8,590,020,516	3,174,310,167	1,294,507,483	427,454,948

Sources:

Marion County and Polk County Assessors.

Notes:

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

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<u>Personal Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Value of Taxable Property</u>
\$ 465,486,774	\$ 18,503,865,847	0.7609	\$ 32,875,746,663
475,964,710	17,758,033,838	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
394,774,662	13,881,067,776	0.7609	22,727,934,782

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

	2019	2018	2017	2016
Salem Area Mass Transit District				
Permanent Tax Rate	\$ 0.7609	\$ 0.7609	\$ 0.7609	\$ 0.7609
Overlapping Rates:				
Marion County	3.03	3.03	3.03	3.03
Polk County	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
School Districts & ESD's	0.30 - 7.92	0.30 - 8.12	0.30 - 8.34	0.30 - 8.12
Chemeketa Community College	0.90	0.90	0.90	0.92
Sewer & Service Districts	0.05	0.05	0.05	0.05
Water & Water Control Districts	0.04 - 1.00	0.05 - 1.00	0.05 - 1.00	0.05 - 1.00
Rural Fire Protection Districts	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

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.

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2015	2014	2013	2012	2011	2010
\$ 0.7609	\$ 0.7609	\$ 0.7609	\$ 0.7609	\$ 0.7609	\$ 0.7609
3.03	3.03	3.03	3.03	3.03	3.03
2.26	2.26	2.26	2.26	2.25	2.26
0.28 - 8.09	0.28 - 8.09	0.28 - 8.09	0.28 - 8.09	0.43 - 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	0.30 - 8.12
0.89	0.86	0.90	0.88	0.79	0.89
0.00	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	0.05 - 1.00
0.53 - 2.52	0.53 - 2.53	0.53 - 2.47	1.01 - 2.35	1.01 - 2.42	1.01 - 2.40
0.08 - 0.57	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	2019			2010		
	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	\$ 151,204,950	0.82%	2	\$ 109,804,900	0.79%
Northwest Natural Gas Co	2	104,284,000	0.56%	3	86,430,200	0.62%
Comcast Corporation	3	89,904,000	0.49%	1	112,421,200	0.81%
CenturyLink (Formerly Qwest)	4	80,386,000	0.43%	4	60,271,200	0.43%
Donahue Schriber Realty Group	5	68,958,720	0.37%	6	53,197,870	0.38%
BIT Investment Ninety-Seven LLC	6	59,128,080	0.32%			
Lancaster Development Company LLC	7	55,509,300	0.30%	5	58,442,260	0.42%
State Accident Insurance Fund	8	54,707,680	0.30%	9	27,028,660	0.19%
Metropolitan Life Insurance Co	9	48,688,830	0.26%	7	38,677,990	0.28%
State Investments LLC	10	43,241,652	0.23%			
Wal-Mart Real Estate Business Trust				8	30,211,800	0.22%
AG-Meriwether Salem Corp				10	24,137,480	0.17%
Total for principal taxpayers		<u>756,013,212</u>	4.09%		<u>600,623,560</u>	4.33%
Total taxable assessed value		<u>\$ 18,503,865,847</u>			<u>\$ 13,881,067,776</u>	

Sources:  
Marion County and Polk County Tax Assessors

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2019	\$ 12,906,585	\$ 12,304,644	95.34%	\$ -	\$ 12,304,644	95.34%
2018	12,426,577	11,958,195	96.23%	158,083	12,116,278	97.50%
2017	11,965,300	11,378,225	95.09%	205,079	11,583,304	96.81%
2016	11,509,781	10,905,167	94.75%	260,275	11,165,442	97.01%
2015	10,882,259	10,279,838	94.46%	301,571	10,581,409	97.24%
2014	10,472,555	9,853,189	94.09%	330,024	10,183,213	97.24%
2013	10,233,065	9,570,505	93.53%	345,191	9,915,696	96.90%
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%
2010	9,648,987	8,976,407	93.03%	422,301	9,398,708	97.41%

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**

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<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>
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%
2010	315,335	10,371,061	32,805	10.8%

Note:

This schedule is for the 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, 2019; Population Research Center, Portland State University

(2) Personal Income estimate as of calendar year 2018; Bureau of Economic Analysis, Regional Economic Data

(3) Per Capita Personal Income as of calendar year 2018; Bureau of Economic Analysis, Regional Economic Data

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

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

<u>Employer</u>	<u>2019</u>		<u>2010</u>	
	<u>Employees</u>	<u>% of Total</u>	<u>Employees</u>	<u>% of Total</u>
Government	41,300	24.52%	42,700	29.74%
Educational and health services	28,900	17.16%	21,200	14.76%
Trade, transportation, and utilities	28,600	16.98%	23,800	16.57%
Leisure and hospitality	15,700	9.32%	11,900	8.29%
Professional and business services	15,000	8.91%	11,400	7.94%
Manufacturing	13,200	7.84%	11,800	8.22%
Construction	11,200	6.65%	6,600	4.60%
Financial activities	7,300	4.33%	7,100	4.94%
Other services	5,300	3.15%	5,200	3.62%
Information	1,300	0.77%	1,200	0.84%
Mining and logging	600	0.36%	700	0.49%
Total Salem Metropolitan Area Non-Farm Payroll Employment	<u>168,400</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 Department  
Last Ten Fiscal Years**

Division	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Fund</b>										
General Manager	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Administration										
Human Resources	5.5	5.5	4.5	3.5	4.0	4.5	4.1	4.7	5.2	4.8
Human Resources-Safety			-	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
Customer Service	5.5	5.5	6.0	6.0	6.0	6.1	6.0	5.8	5.8	8.9
Travel Trainer								0.2	0.1	0.3
Finance										
Finance	7.00	7.0	7.0	7.0	7.0	6.5	6.5	7.5	5.0	6.9
Procurement									2.6	1.6
Operations										
Administration	3.0	2.0	2.0	5.5	4.0	3.0	3.0	3.1	3.1	4.1
Security	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fixed Route Operations	105.5	108.5	108.5	106.5	106.0	110.0	110.0	110.0	110.0	136.0
Vehicle Maintenance	25.0	25.0	25.0	25.0	26.0	24.5	24.0	24.1	23.6	31.8
Facilities Maintenance	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	8.0	9.0
Transportation Development										
Transportation Development Administration	3.0	7.0	7.0	4.7	4.5	4.0	4.5	5.6	6.4	6.1
Information Technology	2.0	3.0	4.0	4.0	5.0	4.5	5.0	5.0	5.0	5.1
Rideshare Program	2.0	1.0	1.5	2.0	2.0	-	-	-	-	-
Total General Fund FTE Per Budget	<u>168.0</u>	<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>
<b>Special Transportation Fund</b>										
Cherriots Lift	3.0	3.0	3.0	3.0	3.0	3.5	3.5	3.1	3.1	3.7
Cherriots Shop & Ride	-	-	-	-	-	-	-	0.2	0.2	0.6
Cherriots Regional	0.5	0.5	0.5	0.5	0.5	1.5	1.5	1.4	1.0	1.5
DMAP	2.0	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
Mobility Management/Travel Trainer	1.5	1.5	1.5	1.5	1.5	3.0	2.0	2.1	0.8	1.6
Special Transportation Coordination	-	-	-	-	1.0	-	0.5	0.1	0.2	0.3
Rideshare	-	-	-	-	-	2.0	2.0	2.0	2.5	3.0
Total Special Transportation Fund FTE Per Budget	<u>7.0</u>	<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>
<b>Capital Project Fund</b>										
Total District Wide FTE Per Budget	<u>-</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.5</u>	<u>1.0</u>	<u>3.2</u>	<u>1.6</u>	<u>0.4</u>
	<u>175.0</u>	<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>



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

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**Fixed Route System**

<b>Fiscal Year</b>	<b>Fare Revenue</b>	<b>Operating Expense</b>	<b>Revenue Margin</b>	<b>Annual Vehicle Miles</b>	<b>Annual Revenue Miles</b>	<b>Unlinked Passenger Trips (UPT)</b>
2010	\$ 2,095,166	\$ 17,904,498	11.7%	2,171,446	2,019,554	4,272,534
2011	2,156,084	18,481,242	11.7%	2,131,035	1,990,530	4,203,930
2012	2,487,342	18,582,768	13.4%	2,089,966	1,951,757	3,363,002
2013	2,358,925	19,555,613	12.1%	2,117,115	1,982,591	3,413,873
2014	2,363,360	20,331,685	11.6%	2,125,959	2,001,989	3,322,655
2015	2,623,816	20,751,653	12.6%	2,191,929	2,059,524	3,371,517
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

**Demand Response**

<b>Fiscal Year</b>	<b>Fare Revenue</b>	<b>Operating Expense</b>	<b>Revenue Margin</b>	<b>Annual Vehicle Miles</b>	<b>Annual Revenue Miles</b>	<b>Unlinked Passenger Trips (UPT)</b>
2010	\$ 389,909	\$ 11,044,498	3.5%	3,998,375	3,485,995	465,112
2011	311,598	12,975,583	2.4%	3,838,149	3,724,201	441,921
2012	248,961	11,527,023	2.2%	4,789,771	4,789,771	429,685
2013	198,154	12,865,869	1.5%	4,530,236	4,182,683	488,466
2014	175,101	13,710,320	1.3%	4,750,911	4,382,166	528,610
2015	226,675	16,771,188	1.4%	7,871,544	7,482,224	581,184
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

**Vanpool**

<b>Fiscal Year</b>	<b>Fare Revenue</b>	<b>Operating Expense</b>	<b>Revenue Margin</b>	<b>Annual Vehicle Miles</b>	<b>Annual Revenue Miles</b>	<b>Unlinked Passenger Trips (UPT)</b>
2010	\$ -	\$ 190,234	0.0%	223,173	223,173	38,080
2011	-	219,087	0.0%	246,546	246,546	42,888
2012	-	289,517	0.0%	343,211	343,211	55,830
2013	-	376,183	0.0%	399,775	399,775	66,175
2014	-	381,891	0.0%	499,454	499,454	79,084
2015	-	391,795	0.0%	613,938	613,938	79,084
2016	-	245,285	0.0%	566,917	566,917	78,774
2017	-	177,903	0.0%	578,196	578,196	72,591
2018	-	290,018	0.0%	528,480	528,480	70,250
2019	-	302,213	0.0%	554,187	554,187	76,167

\* 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.

<b>Fixed Route System</b>						
<b>Fiscal Year</b>	<b>Annual Passenger Miles</b>	<b>Annual Vehicle Revenue Hours</b>	<b>Operating Expense per Mile</b>	<b>Operating Expense per Revenue Mile</b>	<b>Operating Expense per UPT</b>	<b>Operating Expense per Passenger Mile</b>
2010	11,974,068	157,480	\$ 8.25	\$ 8.87	\$ 4.19	\$ 1.50
2011	13,620,825	157,335	8.67	9.28	4.40	1.36
2012	10,896,126	154,772	8.89	9.52	5.53	1.71
2013	11,060,948	154,905	9.24	9.86	5.73	1.77
2014	11,695,746	156,860	9.56	10.16	6.12	1.74
2015	11,867,740	155,246	9.47	10.08	6.15	1.75
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

<b>Demand Response</b>						
<b>Fiscal Year</b>	<b>Annual Passenger Miles</b>	<b>Annual Vehicle Revenue Hours</b>	<b>Operating Expense per Mile</b>	<b>Operating Expense per Revenue Mile</b>	<b>Operating Expense per UPT</b>	<b>Operating Expense per Passenger Mile</b>
2010	5,449,726	233,497	\$ 2.76	\$ 3.17	\$ 23.75	\$ 2.03
2011	6,202,495	226,002	3.38	3.48	29.36	2.09
2012	8,340,340	232,769	2.41	2.41	26.83	1.38
2013	5,534,320	244,964	2.84	3.08	26.34	2.32
2014	3,626,371	270,933	2.89	3.13	25.94	3.78
2015	*	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

<b>Vanpool</b>						
<b>Fiscal Year</b>	<b>Annual Passenger Miles</b>	<b>Annual Vehicle Revenue Hours</b>	<b>Operating Expense per Mile</b>	<b>Operating Expense per Revenue Mile</b>	<b>Operating Expense per UPT</b>	<b>Operating Expense per Passenger Mile</b>
2010	1,457,047	4,974	\$ 0.85	\$ 0.85	\$ 5.00	\$ 0.13
2011	1,645,638	5,633	0.89	0.89	5.11	0.13
2012	2,060,457	7,705	0.84	0.84	5.19	0.14
2013	2,611,080	8,704	0.94	0.94	5.68	0.14
2014	2,841,022	11,418	0.76	0.76	4.83	0.13
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

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



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

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

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

Board of Directors  
Salem Area Mass District  
Salem, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Salem Area Mass Transit District (the District) as of and for the year ended June 30, 2019, and have issued our report thereon dated January 31, 2020.

#### ***Compliance***

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

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

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

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

- Expenditures in excess of appropriations within the General Fund and Special Transportation Fund as identified in the notes to the financial statements.

***Internal Control Over Financial Reporting***

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

***Restriction on Use***

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

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

By:   
\_\_\_\_\_  
Ryan T. Pasquarella, A Shareholder  
January 31, 2020

# **SALEM AREA MASS TRANSIT DISTRICT**

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## **Federal Compliance Report**

For the year ended

**June 30, 2019**

Marion County, Oregon



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

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

475 Cottage Street NE, Suite 200, Salem, Oregon 97301

(503) 581-7788

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

Board of Directors  
Salem Area Mass Transit District  
Salem, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Salem Area Mass Transit District (the District) as of and for the year ended June 30, 2019, 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, 2020.

#### ***Internal Control over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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

  
CERTIFIED PUBLIC ACCOUNTANTS

January 31, 2020



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

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

475 Cottage Street NE, Suite 200, Salem, Oregon 97301

(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR 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, 2019. 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, 2019.

***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, 2019, 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, 2020, 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  
February 11, 2020

**Salem Area Mass Transit District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Grantor/Number</u>	<u>Program/ Award Amount</u>	<u>Expenditures</u>
<i>U S Dept of Transportation</i>				
<i>Federal Transit Cluster</i>				
<i>Direct</i>				
11 5309 Livability Keizer Transit Center	20.500	OR04-0039	\$ 2,800,000	\$ 940,771
14 5307 PM, ADA, Operating	20.507	OR90-X173	5,847,526	43,200
19 5307 PM, ADA, Operating	20.507	1740-2019-2	4,448,057	4,448,057
Transit Enhancement	20.507	OR-2019-025	631,505	247,556
Capital Projects FY16/17 5307	20.507	unknown	1,189,481	554,425
08 5307_ STP Bus Stops, Shelters	20.507	OR95-X015	695,380	115,502
13 5307_ STP Bus Stops, Shelters	20.507	OR95-X043	796,923	123,225
13 5307_ STP Tier 4 Bus Stops, Shelters	20.507	unknown	1,103,077	2,969
5307_ STP SSTC PM&PE	20.507	OR-95-X067	350,000	1,799
5307_ Bus Replacement	20.507	OR-2019-026	1,434,783	262
5307_ Bus Replacement	20.507	OR-95-X018	6,191,138	286,102
5307_ Bus Replacement	20.507	OR-2017-002	2,055,547	2,055,547
CMAQ CNG Bus Replacement	20.507	OR-2018-16	3,948,120	3,850,088
ITS System Implementation	20.507	OR-2019-030	1,308,417	18,271
5339_ Bus Replacement	20.526	OR-2017-001	2,610,093	2,610,093
5339_ Bus Replacement	20.526	OR-2019-021	2,475,000	523
<i>Total Federal Transit Cluster</i>				15,298,390
<i>Transit Services Programs Cluster</i>				
<i>Direct</i>				
16 5310	20.513	OR-2017-006	456,931	2,423
18 5310	20.513	OR-2018-030	234,747	218,703
				221,126
<i>Passed through Oregon Department of Transportation</i>				
Cherrylift Vehicles	20.513	31451	192,069	130,034
17-19 5310 PS, PM, MM	20.513	32209	1,947,257	958,224
				1,088,258
<i>Total Transit Services Programs Cluster</i>				1,309,384

See notes to schedule of expenditures of federal awards.

**Salem Area Mass Transit District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019 (Continued)**

	<u><i>Federal CFDA Number</i></u>	<u><i>Pass- Through Grantor/Number</i></u>	<u><i>Program/ Award Amount</i></u>	<u><i>Expenditures</i></u>
<i>U S Dept of Transportation (continued)</i>				
<i>Formula Grant for Rural Areas Cluster</i>				
<i>Passed through Oregon Department of Transportation</i>				
CARTS Rural FY18/19 PS, Admin	20.509	31929	\$ 662,100	\$ 393,057
 <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	393,729
 <i>FTA Metropolitan Planning</i>				
<i>Passed through Mid-Willamette Valley Council of Governments</i>				
Transportation Planning 19	20.205	unknown	113,761	113,761
<i>Total Formula Grant for Rural Areas, Highway Planning and Construction, and FTA Metropolitan Planning Clusters</i>				<u>900,547</u>
<b><i>Total Expenditures of Federal Awards</i></b>				<u><u>\$ 17,508,321</u></u>

See notes to schedule of expenditures of federal awards.

**Salem Area Mass Transit District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

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***BASIS OF PRESENTATION***

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, 2019. 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***

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.

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, 2019**

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

***Financial Statements***

Type of auditor's report issues:	Unmodified
Internal control reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	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><i>CFDA Numbers</i></u>	<u><i>Name of Federal Program or Cluster</i></u>
20.500, 20.507, 20.525, 20.526	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

***FINANCIAL STATEMENT FINDINGS***

None

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

None

***PRIOR AUDIT FINDINGS AND QUESTIONED COSTS***

None



