



COMPREHENSIVE ANNUAL FINANCIAL REPORT

*SALEM AREA MASS TRANSIT DISTRICT
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016*

FEBRUARY 26, 2018

SALEM AREA MASS TRANSIT DISTRICT

Comprehensive Annual Financial Report

For the years ended

June 30, 2017 and 2016

Marion County, Oregon

Prepared by

Al McCoy, Director of Finance/CFO

Kathleen Smidt, Accountant

Salem Area Mass Transit District
Table of Contents
For the Years Ended June 30, 2017 and 2016

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i
Organizational Chart	vi
Board of Directors	vii
Certificate of Achievement for Excellence Award	viii
 FINANCIAL SECTION	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
 <u>Basic Financial Statements</u>	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to the Basic Financial Statements	12
 <u>Required Supplementary Information</u>	
Schedule of Changes in the Net Pension Liability and Related Ratios, Non-Bargaining	37
Schedule of Employer Contributions – Defined Benefit Plan – Non-Bargaining	38
Schedule of Changes in the Net Pension Liability and Related Ratios, Bargaining	40
Schedule of Employer Contributions – Defined Benefit Plan – Bargaining	41
Schedule of OPEB Funding Progress	43
 <u>Supplementary Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	44
Capital Improvement Fund	45
Special Transportation Fund	46
Budgetary Division Basis vs Object Classification Basis	47
Reconciliation of Net Change in Fund Balance on a Non-GAAP Budgetary Basis to	
Changes in Net Position on a GAAP Basis	48
Schedule of Revenues, Expenditures and Changes in Fund Balance – Capital Improvement	
Projects on a Non-GAAP Budget Basis	49
Schedule of Revenues, Expenditures and Changes in Fund Balance – Special Transportation	
Programs on a Non-GAAP Budget Basis	51
 STATISTICAL SECTION	
 <u>Financial Trends</u>	
Summary of Net Position – Last Ten Fiscal Years	53
Schedule of Changes in Net Position – Last Ten Fiscal Years	55

Salem Area Mass Transit District
Table of Contents
For the Years Ended June 30, 2017 and 2016

Revenue Capacity Information

Assessed Value and Estimated Actual Value of Taxable Property	57
Principal Property Taxpayers	59
Property Tax Levies and Collections	60

Demographic and Economic Information

Demographic and Economic Statistics	61
Salem Metropolitan Area Employers.....	62

Operating Information

District Employees by Division	63
Operating Revenue and Cost Measurements	64

**DISCLOSURES AND COMMENTS REQUIRED BY
STATE MINIMUM STANDARDS**

Independent Auditor’s Report Required by Oregon State Regulations	66
-------------------------------------------------------------------------	----

Introductory Section



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

February 28, 2018

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, 2017. 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 2017, the District received an extension for submission of these documents until February 28, 2018.

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, 2017, 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, 2017, 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, 2017 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 410,000.

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 2017, annual Cherriots ridership between all services was just under 3.2 million, averaging about 12,600 riders per day. Bus service operates with just under 60 peak vehicles and there are an additional 46 vehicles dedicated to providing Cherriots LIFT paratransit service.

In addition to 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 found 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.

SAMTD is governed by a Board of Directors whose seven members are elected from sub-districts to serve a four-year term. 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. Twenty-one percent of the budget comes from funds received from the state. These are funds the state pays in-lieu of paying property taxes on tax exempt, state-owned property in the Salem area. Additionally, the Oregon Legislature passed a bill in 2018 that establishes a dedicated source of state funding to transit districts across Oregon through a payroll tax paid by employees. With additional funding, SAMTD will be able to restore Saturday service, which was eliminated in 2009 because of a budgetary reasons.

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, 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 167,419 according to 2016 U.S. Census Bureau estimate. In 2016 there are 418,139 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.

Salem is the capital of Oregon and the county seat for Marion County. Salem is the third largest city and Keizer is the 13th largest city in Oregon. 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 2017 was 4.7 percent, 0.9 percentage points lower than the July 2016 rate of 5.6 percent. According to the Oregon Office of Economic Analysis (OOEA), Salem is projected to significantly outperform the rest of the state when it comes to future labor force growth, based on demographics and population forecasts.

Fixed Route Transportation

Over 9.7 million passenger miles were traveled annually, with total ridership of 2,940,565 for FY 2017. This total ridership represents a decrease of 1.9 percent from FY 2016. For FY 2017 the operating costs per revenue mile for the fixed route service amounted to \$9.68 compared to a cost of \$9.98 for FY 2016 or (a 3.0 percent decrease), while the average cost per ride increased from \$7.24 in FY 2016 to \$7.96 for FY 2017 (a 9.9 percent increase). The increase in the cost per ride is due to an increase in operating costs, operating revenue hours and miles, and a drop in ridership.

Alternative Transportation

Ridership in the paratransit, non-emergency medical transportation, dial-a-ride, and shopper shuttle programs increased during FY 2017. The total rides provided in FY 2017 were 566,641 compared to 560,070 rides provided in FY 2016. The average cost of providing demand response rides in FY 2017 was \$28.26 compared with \$28.70 for FY 2016. This decrease in cost per ride is due to a decrease in the expenses to operate the programs.

A small portion of the cost of providing these alternative transportation services is covered with fare revenue, 3.2 percent for FY 2017 compared with 2.4 percent for FY 2016. Funding from federal and state sources provided 97.7 percent of FY 2017 and 97.6 percent of FY 2016 program operating costs. Net program costs were covered by grant funding, eliminating the need for General Fund contributions for FY 2016 and 2017.

Major Initiatives

The District establishes an annual list of strategic priorities. For FY 2018, highlights of the strategic priorities include the selection of CAD/AVL technology to help improve the customer experience; defining the value of Service Excellence and establishing Team Cherriots expectations; investing in workforce development; and reestablishing the District sustainability committee.

Future

During FY 2018, the District secured a new sustainable revenue source that will allow for significant expansion beginning in FY 2020. The Oregon Legislature passed HB 2017, a statewide transportation bill that included a dedicated funding source for public transportation.

As a result the District will be able to implement Phase II of its Moving Forward long-range service plan. Phase I was implemented in 2015 which included a reallocation of existing service levels to be

more effective and efficient. However, Phase II required a new revenue source which has now been achieved.

Long-term Financial Planning

The District's first priority is to ensure existing levels of service are maintained. Any additional service requires a new sustainable revenue source. The District also is identifying the best way to fund its capital improvement plan during the next 10 years now that there is a federal transportation bill. The District also plans to identify the best use of excess one-time funds that are in excess of our necessary working capital.

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, 2016. This was the fifth 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.

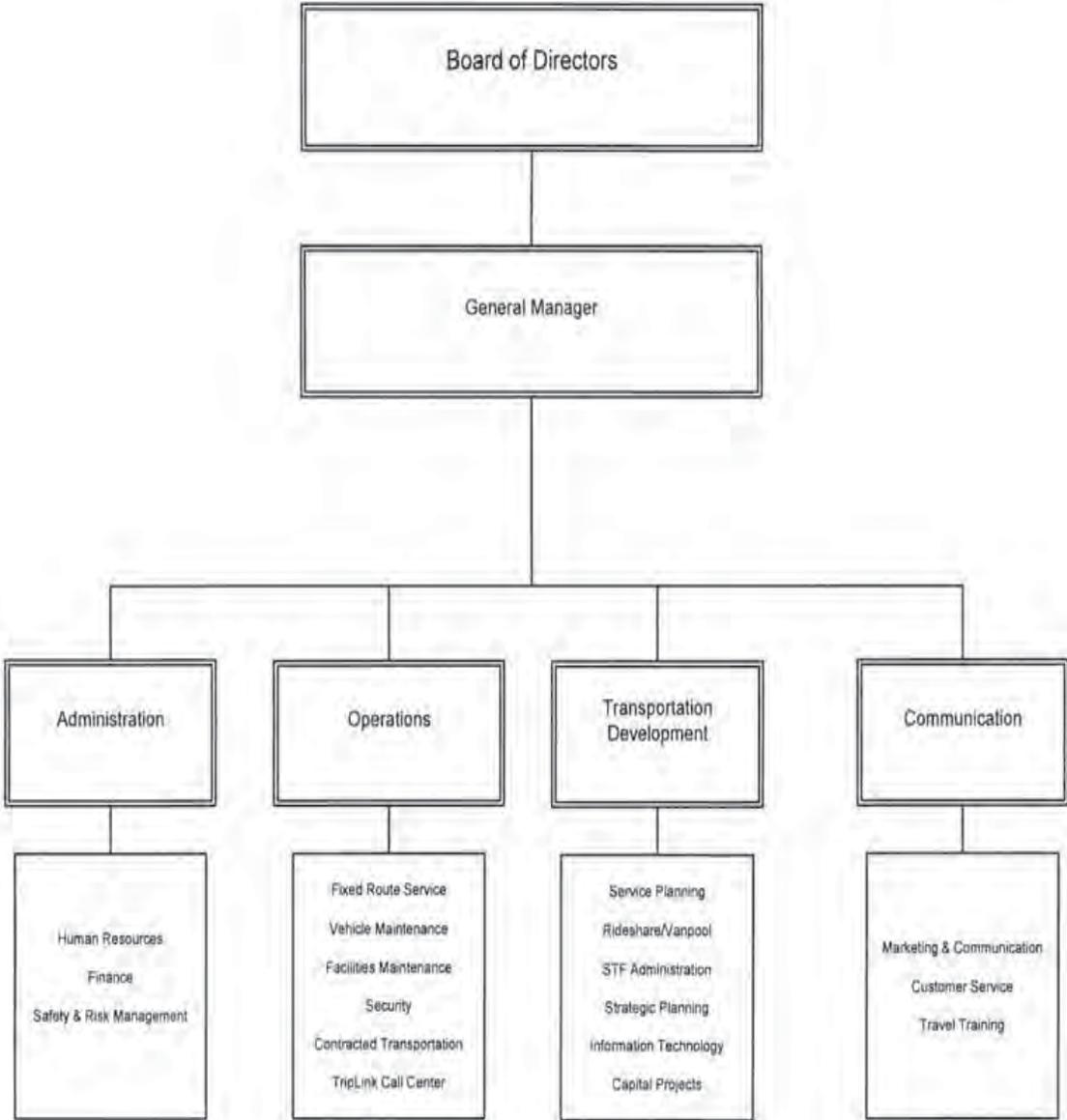
Respectfully submitted,


Allan Pollock
General Manager


Al McCoy
Director of Finance/CFO

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, 2016

Executive Director/CEO

Financial Section



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Salem Area Mass Transit
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, 2017 and 2016, 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, 2017 and 2016, 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 OPEB funding progress, 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Legal and Regulatory Requirements

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2018, 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 February 26, 2018, 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
February 26, 2018

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, 2017 and 2016. This Management's Discussion and Analysis (MD&A) is based on facts, decisions, and conditions that existed as of the date of the independent auditor's report.

Overview of the Financial Statements

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

Financial Highlights

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

The District's total assets decreased in FY 2017 from \$63.8 million to \$61.7 million, due to a decrease in state grants receivables. The District's total assets increased in FY 2016 from \$60.5 million to \$63.8 million, due to an increase in federal grants receivables.

The District's deferred outflows decreased in FY 2017 by approximately \$263,000 but the District's deferred outflows increased in FY 2016 by approximately \$3.3 million. These changes are due to actuarial assumption changes and other activities in the District's retirement plans. For comparison purposes, deferred outflows and inflows from pension investments for both fiscal years were netted.

The District's total liabilities decreased in FY 2017 by \$1.3 million, due mostly to a decrease in the net pension liability and unearned revenue. The District's total liabilities increased in FY 2016 by \$3.8 million, due mostly to an increase in the net pension liability.

In FY 2017, the District's total net position decreased by \$1.1 million. The investment in capital assets decreased by approximately \$1.5 million, or 4.5 percent mainly due to the yearly depreciation and the unrestricted net position increased by approximately \$695,000.

In FY 2016, the District's total net position increased by \$2.5 million. The investment in capital assets decreased by approximately \$1.1 million mainly due to the yearly depreciation and the unrestricted net position increased by approximately \$3.1 million.

In FY 2017, operating revenue increased approximately \$485,000 from \$5.7 million to \$6.2 million, or 8.5 percent, from the prior year. This increase was due to an increase in the passenger fares. Non-operating revenues, including capital contributions, decreased approximately \$3.2 million from the prior year. This decrease is due to a decrease in non-operating revenues from federal grants and state programs. Operating expenses increased more than \$1.9 million from the prior year. The majority of the increase is from an increase in personnel service expense, related to pensions, due to the change in assumptions related to GASB Statements No. 68 and 71.

In FY 2016, operating revenue decreased more than \$400,000 from \$6.1 million to \$5.7 million, or 6.6 percent, from the prior year. This decrease was due to a decrease in the Non-Emergent Medical Transportation (DMAP/WVCH) program and in passenger fares. Non-operating revenues, including capital contributions, increased approximately \$377,000 from the prior year. This increase is due to an increase in non-operating revenues from property taxes, and capital contributions. Operating expenses increased more than \$1.6 million from the prior year. The increase is an increase in personnel service expense, related to pensions, due to the implementation of GASB Statements No. 68 and 71.

The District had no transfers in FY 2017 or FY 2016.

	<i>June 30,</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
Assets			(As restated)
Current and restricted assets	\$ 28,795,580	\$ 29,396,596	\$ 24,911,083
Capital assets, net of depreciation	<u>32,887,854</u>	<u>34,434,992</u>	<u>35,578,093</u>
Total assets	61,683,434	63,831,588	60,489,176
Deferred outflows of resources	<u>3,086,390</u>	<u>3,349,887</u>	<u>277,838</u>
Total assets and deferred outflows of resources	64,769,824	67,181,475	60,767,014
Liabilities			
Current liabilities	3,511,481	4,266,140	3,488,792
Noncurrent liabilities	<u>9,911,645</u>	<u>10,502,968</u>	<u>7,451,813</u>
Total liabilities	13,423,126	14,769,108	10,940,605
Net position			
Investment in capital assets	32,887,854	34,434,992	35,578,093
Restricted for capital projects	3,393,496	3,649,113	3,707,543
Restricted for special transportation	2,007,016	2,928,600	2,249,540
Unrestricted	<u>13,058,332</u>	<u>11,399,662</u>	<u>8,291,233</u>
Total net position	<u>51,346,698</u>	<u>52,412,367</u>	<u>49,826,409</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 64,769,824</u>	<u>\$ 67,181,475</u>	<u>\$ 60,767,014</u>

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

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

	<i>Year Ended June 30,</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
Operating revenues			(As restated)
Passenger fares	\$ 3,201,972	\$ 2,694,423	\$ 2,817,514
Accessible services and medicaid	2,455,869	2,662,441	2,948,422
Other revenues	550,519	366,047	365,058
Non-operating revenues			
Property taxes	11,574,433	11,258,672	10,714,350
State assistance	7,371,134	7,195,009	7,708,296
Federal assistance	16,901,469	18,198,155	18,721,493
Other revenues	243,413	130,982	125,940
Total revenue	42,298,809	42,505,729	43,401,073
Operating expenses	(43,806,669)	(41,429,267)	(39,778,053)
Capital contributions	442,191	1,509,496	644,630
Changes in net position	(1,065,669)	2,585,958	4,267,650
Beginning net position	52,412,367	49,826,409	44,783,436
Cumulative effect of restatement	-	-	775,323
Beginning net position (restated)	52,412,367	49,826,409	45,558,759
Ending net position	\$ 51,346,698	\$ 52,412,367	\$ 49,826,409

The District's total revenue decreased approximately \$206,000, or .49 percent, during FY 2017. The District's total revenue increased more than \$900,000, or 2.1 percent, during FY 2016.

Capital Assets

The District's investment in capital assets amounts to \$34.4 million and \$35.5 million net of accumulated depreciation as of June 30, 2017 and 2016 respectively. This investment in capital assets includes land, construction in progress, buildings, land improvements, revenue rolling stock, and equipment. The total decrease in the District's investment in capital assets for FY 2017 was 3.2 percent. The total decrease in the District's investment in capital assets for FY 2016 was 3.5 percent.

Major capital projects during FY 2017 included the Stops and Shelters project, improvements to the Dell Webb call center, as well as the continuing replacement of the CNG tanks for the District's buses. Construction in progress at the end of the year was approximately \$2.5 million for various projects.

Major capital projects during FY 2016 included the Stops and Shelters project as well as the replacement of CNG tanks on 12 of the District's buses. Construction in progress at the end of the year was approximately \$2.4 million for various projects.

	<u>2017</u>	<u>June 30, 2016</u>	<u>2015</u>	<u>Increase/(decrease)</u>	
				<u>2017-2016</u>	<u>2016-2015</u>
Land	\$ 3,250,691	\$ 3,250,691	\$ 3,250,691	\$ -	\$ -
Construction in progress	2,509,592	2,441,549	1,072,188	68,043	1,369,361
Buildings	18,070,840	18,460,996	19,018,410	(390,156)	(557,414)
Land improvements	3,118,703	3,239,236	3,359,769	(120,533)	(120,533)
Revenue rolling stock	4,582,472	5,938,228	7,687,429	(1,355,756)	(1,749,201)
Equipment	1,355,556	1,104,292	1,189,606	251,264	(85,314)
	<u>\$ 32,887,854</u>	<u>\$ 34,434,992</u>	<u>\$ 35,578,093</u>	<u>\$ (1,547,138)</u>	<u>\$ (1,143,101)</u>

Additional information on the District's capital assets can be found in note 5 on pages 25 – 26 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



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

Basic Financial Statements

Salem Area Mass Transit District
Statements of Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Unrestricted cash and cash equivalents	\$ 15,089,318	\$ 10,302,164
Accounts receivable	79,017	165,521
Property taxes receivable	530,809	562,781
Prepaid expenses	334,131	383,612
Inventories	728,017	710,364
Restricted cash and cash equivalents	4,339,517	3,490,380
Federal grants receivable	6,205,792	10,912,295
State grants receivable	<u>1,488,979</u>	<u>2,869,479</u>
Total current assets	<u>28,795,580</u>	<u>29,396,596</u>
Capital assets		
Land	3,250,691	3,250,691
Land improvements (net of depreciation)	3,118,703	3,239,236
Buildings and improvements (net of depreciation)	18,070,840	18,460,996
Buses and equipment (net of depreciation)	5,938,028	7,042,520
Construction in progress	<u>2,509,592</u>	<u>2,441,549</u>
Total capital assets	<u>32,887,854</u>	<u>34,434,992</u>
Total assets	<u>61,683,434</u>	<u>63,831,588</u>
Deferred outflows of resources		
Pension investments - Non-bargaining	130,072	448,028
Pension investments - Bargaining	302,858	1,188,632
Pension Non-bargaining - Assumption Changes or Inputs	591,518	224,969
Pension Bargaining - Assumption Changes or Inputs	1,172,567	300,869
Pension Non-bargaining - Economic/Demographic Losses	449,870	610,538
Pension Bargaining - Economic/Demographic Losses	<u>439,505</u>	<u>576,851</u>
Total deferred outflows of resources	<u>3,086,390</u>	<u>3,349,887</u>
Total assets and deferred outflows of resources	<u><u>\$ 64,769,824</u></u>	<u><u>\$ 67,181,475</u></u>

	2017	2016
Liabilities		
Current liabilities		
Accounts payable	\$ 365,839	\$ 473,517
Accounts payable from restricted assets	1,236,568	943,133
Payroll, withholdings and payroll taxes	474,072	876,647
Construction retainage	12,003	12,003
Due to other governments from restricted assets	103,601	116,692
Accrued vacation and sick leave	1,319,398	1,194,148
Unearned revenue	-	650,000
Total current liabilities	<u>3,511,481</u>	<u>4,266,140</u>
Noncurrent liabilities		
Net pension liability - Non-bargaining	2,101,597	2,326,969
Net pension liability - Bargaining	4,907,518	5,466,925
Net OPEB obligation	2,902,530	2,709,074
Total noncurrent liabilities	<u>9,911,645</u>	<u>10,502,968</u>
Total liabilities	<u>13,423,126</u>	<u>14,769,108</u>
Net position		
Investment in capital assets	32,887,854	34,434,992
Restricted for capital projects	3,394,119	3,649,113
Restricted for special transportation	2,007,016	2,928,600
Unrestricted	13,057,709	11,399,662
Total net position	<u>51,346,698</u>	<u>52,412,367</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 64,769,824</u>	<u>\$ 67,181,475</u>

Salem Area Mass Transit District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues		
Passenger fares	\$ 3,201,972	\$ 2,694,423
Accessible services and medicaid	2,455,869	2,662,441
Other revenues	<u>550,519</u>	<u>366,047</u>
Total operating revenues	<u>6,208,360</u>	<u>5,722,911</u>
Operating expenses		
Personnel services	20,359,793	18,478,140
Materials and services	20,947,830	20,170,430
Depreciation	2,305,590	2,576,402
OPEB expense	<u>193,456</u>	<u>204,295</u>
Total operating expenses	<u>43,806,669</u>	<u>41,429,267</u>
Operating loss	(37,598,309)	(35,706,356)
Non-operating revenues		
Property taxes	11,574,433	11,258,672
State assistance	7,371,134	7,195,009
Federal assistance	16,901,469	18,198,155
Earnings on investments	241,753	140,579
Insurance settlement	-	29,942
Gain (loss) on disposal of capital assets	<u>1,660</u>	<u>(39,539)</u>
Total non-operating revenues	<u>36,090,449</u>	<u>36,782,818</u>
Change in net position before extraordinary items and capital contributions	(1,507,860)	1,076,462
Capital contributions		
Federal and state grants for capital acquisition	<u>442,191</u>	<u>1,509,496</u>
Changes in net position	(1,065,669)	2,585,958
Total net position - beginning of year	<u>52,412,367</u>	<u>49,826,409</u>
Total net position - end of year	<u>\$ 51,346,698</u>	<u>\$ 52,412,367</u>

Salem Area Mass Transit District
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Cash received from customers	\$ 5,644,864	\$ 6,412,488
Payments to employees for services	(21,158,400)	(18,445,028)
Cash paid to suppliers for good and services	<u>(20,730,245)</u>	<u>(20,593,803)</u>
Net cash used for operating activities	<u>(36,243,781)</u>	<u>(32,626,343)</u>
Cash flows from noncapital financing activities		
Receipts from property taxes	11,606,405	11,292,522
Receipts from state assistance	8,738,543	6,887,520
Receipts from federal assistance	<u>20,815,706</u>	<u>12,896,459</u>
Net cash provided by noncapital financing activities	<u>41,160,654</u>	<u>31,076,501</u>
Cash flows from capital and related financing activities		
Receipts from capital grants	1,234,457	2,301,762
Receipts from litigation/insurance recoveries	-	29,942
Acquisition and construction of capital assets	(758,452)	(1,510,091)
Sale of capital assets	<u>1,660</u>	<u>37,251</u>
Net cash provided (used) for capital and related financing activities	<u>477,665</u>	<u>858,864</u>
Cash flows from investing activities		
Interest received	<u>241,753</u>	<u>140,579</u>
Net change in cash and cash equivalents	5,636,291	(550,399)
Cash and cash equivalents, July 1	<u>13,792,544</u>	<u>14,342,943</u>
Cash and cash equivalents, June 30	<u>\$ 19,428,835</u>	<u>\$ 13,792,544</u>
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	\$ (37,598,309)	\$ (35,706,356)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	2,305,590	2,576,402
Decrease in net pension liability and related deferrals	(521,282)	(225,189)
OPEB expense	193,456	204,295
(Increase) decrease in accounts receivable	86,504	39,577
(Increase) decrease in prepaid expenses	49,481	(186,907)
(Increase) decrease in inventories	(17,653)	(72,609)
Increase (decrease) in accounts payable	(107,678)	47,379
Increase (decrease) in accounts payable from restricted assets	293,435	(211,236)
Increase (decrease) in payroll, withholdings and payroll taxes	(402,575)	179,310
Increase (decrease) in accrued vacation and sick leave	125,250	78,991
Increase (decrease) in unearned revenue	<u>(650,000)</u>	<u>650,000</u>
Net cash used for operating activities	<u>\$ (36,243,781)</u>	<u>\$ (32,626,343)</u>

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(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, 2017 and 2016

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, 2017 and 2016

G. Prepaid Expenses

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

H. Capital Assets

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

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

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

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

I. Vacation and Sick Pay

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

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

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

J. Use of Estimates

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

K. Net Position

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

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

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

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

L. Deferred Inflows and Outflows of Resources

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

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

M. New Pronouncements

During FY 2017 the District implemented the following GASB pronouncements:

- GASB Statement No. 77, “Tax Abatement Disclosures, “establishes disclose requirements for tax abatement agreements. See footnote 7 for the new disclosure.

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

During FY 2016 the District implemented the following GASB pronouncements:

- GASB Statement No. 72, “Fair Value Measurement and Application.” This statement provides guidance for determining fair value measurements for financial reporting purposes. The District has determined that this statement has no significant impact on the District’s financial statements.
- GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” supersedes Statement No. 55, reducing the GAAP hierarchy to two categories of authoritative GAAP and addressing the use of non-authoritative literature. The District has determined that this statement has no significant impact on the District’s financial statements.

(1) Stewardship, Compliance, and Accountability

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

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

General Fund

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

Capital Improvement Fund

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

Special Transportation Fund

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

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

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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, Transportation Development, 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.

The Board of Directors, by resolution, may amend the budget as originally adopted. One amendment totaling approximately \$80,000 was made to the budget during the year ended June 30, 2017.

The General fund had over-expenditures for operations in the amount of \$241,055. The Special Projects Transportation fund had over-expenditures for transportation development of \$64,233.

(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, 2017 and 2016 the carrying value of cash and investments and fair value are approximately equal. At June 30, 2017 and 2016, cash and investments included in cash and cash equivalents consisted of:

	<u>2017</u>	<u>2016</u>
<i>Cash</i>		
Cash on hand	\$ 7,371	\$ 17,126
Deposits with financial institutions	857,247	1,883,920
<i>Investments</i>		
Local government investment pool	<u>18,564,217</u>	<u>11,891,498</u>
<i>Total cash and cash equivalents</i>	<u>\$ 19,428,835</u>	<u>\$ 13,792,544</u>
Unrestricted cash and cash equivalents	\$ 15,089,318	\$ 10,302,164
Restricted cash and cash equivalents	<u>4,339,517</u>	<u>3,490,380</u>
<i>Total cash and cash equivalents</i>	<u>\$ 19,428,835</u>	<u>\$ 13,792,544</u>

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

A. Deposits

As of June 30, 2017 and 2016, the book balance of the District's bank deposits (checking accounts) was \$857,247 and \$1,883,920 and the bank balance was \$2,128,434 and \$2,243,885 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016

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, 2017 and 2016

(3) Restricted Assets

Restricted assets are restricted for capital outlay and special transportation.

	<i>Total Restricted Assets</i>	<i>Less Current Liabilities Payable</i>	<i>Net Restricted Assets (Liabilities)</i>
2017			
<i>Restricted for capital</i>			
Cash and investments	\$ 3,073,081	\$ (288,791)	\$ 2,784,290
Federal grants receivable	609,206	-	609,206
State grants receivable	623	-	623
<i>Total restricted for operating capital</i>	<u>3,682,910</u>	<u>(288,791)</u>	<u>3,394,119</u>
<i>Restricted for special transportation</i>			
Cash and investments	1,266,436	(1,063,855)	202,581
Federal grants receivable	1,804,435	-	1,804,435
<i>Total restricted for special transportation</i>	<u>3,070,871</u>	<u>(1,063,855)</u>	<u>2,007,016</u>
	<u><u>\$ 6,753,781</u></u>	<u><u>\$ (1,352,646)</u></u>	<u><u>\$ 5,401,135</u></u>
2016			
<i>Restricted for capital</i>			
Cash and investments	\$ 3,376,352	\$ (59,179)	\$ 3,317,173
Federal grants receivable	331,940	-	331,940
<i>Total restricted for operating capital</i>	<u>3,708,292</u>	<u>(59,179)</u>	<u>3,649,113</u>
<i>Restricted for special transportation</i>			
Cash and investments	114,028	(1,055,861)	(941,833)
Federal grants receivable	2,833,827	-	2,833,827
State grants receivable	1,036,606	-	1,036,606
<i>Total restricted for special transportation</i>	<u>3,984,461</u>	<u>(1,055,861)</u>	<u>2,928,600</u>
	<u><u>\$ 7,692,753</u></u>	<u><u>\$ (1,115,040)</u></u>	<u><u>\$ 6,577,713</u></u>

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(4) Capital Assets

The changes in capital assets for the year ended June 30, 2017 are summarized below:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets, non-depreciable:					
Land	\$ 3,250,691	\$ -	\$ -	\$ -	\$ 3,250,691
Construction in progress	2,441,549	422,641	-	(354,598)	2,509,592
Total capital assets, non-depreciable	<u>5,692,240</u>	<u>422,641</u>	<u>-</u>	<u>(354,598)</u>	<u>5,760,283</u>
Capital assets, depreciable:					
Buildings	24,038,882	145,845	-	-	24,184,727
Land improvements	3,603,608	-	-	-	3,603,608
Revenue rolling stock	26,079,703	-	-	96,719	26,176,422
Equipment	5,211,122	189,966	(32,400)	257,879	5,626,567
Total capital assets, depreciable	<u>58,933,315</u>	<u>335,811</u>	<u>(32,400)</u>	<u>354,598</u>	<u>59,591,324</u>
Less accumulated depreciation:					
Buildings	(5,577,886)	(536,001)	-	-	(6,113,887)
Land improvements	(364,372)	(120,533)	-	-	(484,905)
Revenue rolling stock	(20,141,475)	(1,452,475)	-	-	(21,593,950)
Equipment	(4,106,830)	(196,581)	32,400	-	(4,271,011)
Total accumulated depreciation	<u>(30,190,563)</u>	<u>(2,305,590)</u>	<u>32,400</u>	<u>-</u>	<u>(32,463,753)</u>
Net depreciable capital assets	<u>28,742,752</u>	<u>(1,969,779)</u>	<u>-</u>	<u>354,598</u>	<u>27,127,571</u>
Net capital assets	<u>\$ 34,434,992</u>	<u>\$ (1,547,138)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,887,854</u>

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

The changes in capital assets for the year ended June 30, 2016 are summarized below:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending</u> <u>Balance</u>
Capital assets, non-depreciable:					
Land	\$ 3,250,691	\$ -	\$ -	\$ -	\$ 3,250,691
Construction in progress	1,072,188	1,412,077	-	(42,716)	2,441,549
Total capital assets, non-depreciable	<u>4,322,879</u>	<u>1,412,077</u>	<u>-</u>	<u>(42,716)</u>	<u>5,692,240</u>
Capital assets, depreciable:					
Buildings	24,199,333	46,745	(207,196)	-	24,038,882
Land improvements	3,603,608	-	-	-	3,603,608
Revenue rolling stock	27,028,081	-	(948,378)	-	26,079,703
Equipment	5,198,930	51,269	(81,793)	42,716	5,211,122
Total capital assets, depreciable	<u>60,029,952</u>	<u>98,014</u>	<u>(1,237,367)</u>	<u>42,716</u>	<u>58,933,315</u>
Less accumulated depreciation:					
Buildings	(5,180,923)	(530,160)	133,197	-	(5,577,886)
Land improvements	(243,839)	(120,533)	-	-	(364,372)
Revenue rolling stock	(19,340,652)	(1,749,201)	948,378	-	(20,141,475)
Equipment	(4,009,324)	(176,508)	79,002	-	(4,106,830)
Total accumulated depreciation	<u>(28,774,738)</u>	<u>(2,576,402)</u>	<u>1,160,577</u>	<u>-</u>	<u>(30,190,563)</u>
Net depreciable capital assets	<u>31,255,214</u>	<u>(2,478,388)</u>	<u>(76,790)</u>	<u>42,716</u>	<u>28,742,752</u>
Net capital assets	<u>\$ 35,578,093</u>	<u>\$ (1,066,311)</u>	<u>\$ (76,790)</u>	<u>\$ -</u>	<u>\$ 34,434,992</u>

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.

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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.

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	35
Inactive employees entitled to but not yet receiving benefits	8
Active employees	53
	<u>96</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, 16.14 percent and 13.71 percent for the years ended June 30, 2017 and 2016, respectively.

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

The District makes additional level dollar contribution to further reduce the unfunded accrued liability. For the years ended June 30, 2017 and 2016, that amount was \$53,988 and \$86,593 respectively.

Net Pension Liability

The District's net pension liability for the bargaining plan at June 30, 2017, 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, 2015.

The District's net pension liability for the non-bargaining plan at June 30, 2017 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, 2015.

Actuarial Methods and Assumptions

The total pension liability in the July 1, 2015, 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:	6.50%
Mortality:	RP-2000 Combined Healthy Mortality Table projected to 2020 per Scale AA

The non-bargaining plan recently adopted a change to the pre-retirement death benefit which was included in the July 1, 2015 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 total pension liability in the July 1, 2015, 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:	6.50%
Mortality:	RP-2000 Combined Healthy Mortality Table projected to 2020 per Scale AA

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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, 2017:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Cash	2.70%	0.10%
Core Fixed Income	37.80%	1.72%
Non-U.S. Fixed Income	9.50%	0.02%
Large Cap US Equities	18.00%	4.41%
Mid Cap U.S. Equities	6.00%	4.85%
Small Cap U.S. Equities	4.00%	5.55%
Developed Foreign Equities	16.20%	5.37%
Small Cap Foreign Equities	3.00%	5.83%
Emerging Market Equities	2.80%	7.74%
	100.00%	
Long-Term Expected Rate of Return		6.00%

Rate of Return

For the years ended June 30, 2017 and 2016, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.47 percent and -2.18 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 and 6.50 percent for the years ended June 30, 2017 and 2016, 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

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 6/30/16	\$ 7,660,587	\$ 5,333,618	\$ 2,326,969
Changes for the year:			
Service cost	58,535	-	58,535
Interest on total pension liability	482,723	-	482,723
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effect of assumption changes or inputs	554,766	-	554,766
Benefit payments	(594,609)	(594,609)	-
Employer contributions	-	566,742	(566,742)
ICMA transfers	-	134,785	(134,785)
Net investment income	-	619,869	(619,869)
Balance at 6/30/17	\$ 8,162,002	\$ 6,060,405	\$ 2,101,597

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 6/30/15	\$ 6,639,825	\$ 5,406,611	\$ 1,233,214
Changes for the year:			
Service cost	54,962	-	54,962
Interest on total pension liability	485,504	-	485,504
Benefit payments	(579,330)	(579,330)	-
Employer contributions	-	472,904	(472,904)
ICMA transfers	-	152,578	(152,578)
Net investment income	-	(119,145)	119,145
Balance at 6/30/16	\$ 7,660,587	\$ 5,333,618	\$ 2,326,969

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 FY2017 and 6.50 percent for FY2016, 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:

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

	Net Pension Liability	
	2017	2016
1% decrease (5.00%), (5.50%)	\$ 3,406,487	\$ 3,465,838
Current discount rate (6.00%), (6.50%)	2,101,597	2,326,969
1% increase (7.00%), (7.50%)	1,064,124	1,445,968

Pension Plan Fiduciary Net Position

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

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

For the years ended June 30, 2017 and 2016, The District recognized pension expense of \$511,607 and \$373,351, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2017:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 449,870
Changes of assumptions	-	591,518
Net difference between projected and actual earnings	-	130,072
Contributions made subsequent to measurement date	-	-
Total	\$ -	\$ 1,171,460

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:	
2018	\$ 397,079
2019	444,256
2020	345,370
2021	(15,245)
2022	-
Thereafter	-

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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	75
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>113</u>
	<u>205</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, 30.07 percent and 24.99 percent for the years ended June 30, 2017 and 2016, respectively.

Net Pension Liability

The District's net pension liability for the non-bargaining plan at June 30, 2017, 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, 2015.

The District's net pension liability for the non-bargaining plan at June 30, 2016 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, 2015.

Actuarial Methods and Assumptions

The total pension liability in the July 1, 2015, 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:	6.50%
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, 2015 valuation. The pre-retirement death benefit was changed from 50% of the participant's accrued benefit to the survivor benefit payable under 100% Joint and Survivor annuity option as if elected on the participant's date of death.

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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, 2017:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Cash	2.70%	0.10%
Core Fixed Income	37.80%	1.72%
Non-U.S. Fixed Income	9.50%	0.02%
Large Cap US Equities	18.00%	4.41%
Mid Cap U.S. Equities	6.00%	4.85%
Small Cap U.S. Equities	4.00%	5.55%
Developed Foreign Equities	16.20%	5.37%
Small Cap Foreign Equities	3.00%	5.83%
Emerging Market Equities	2.80%	7.74%
	<u>100.00%</u>	
Long-Term Expected Rate of Return		6.00%

Rate of Return

For the years ended June 30, 2017 and 2016, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.46 percent and -2.14 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 and 6.50 percent for the years ended June 30, 2017 and 2016, 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

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 6/30/16	\$ 20,091,672	\$ 14,624,747	\$ 5,466,925
Changes for the year:			
Service cost	608,583	-	608,583
Interest on total pension liability	1,316,853	-	1,316,853
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	-		-
Effect of assumption changes or inputs	1,198,289		1,198,289
Benefit payments	(896,045)	(896,045)	-
Employer contributions	-	1,778,155	(1,778,155)
ICMA transfers	-	153,494	(153,494)
Net investment income	-	1,751,483	(1,751,483)
Balance at 6/30/17	\$ 22,319,352	\$ 17,411,834	\$ 4,907,518

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 6/30/15	\$ 17,937,320	\$ 14,223,500	\$ 3,713,820
Changes for the year:			
Service cost	571,438	-	571,438
Interest on total pension liability	1,251,612	-	1,251,612
Effect of plan changes	62,732		62,732
Effect of economic/demographic gains or losses	714,197		714,197
Effect of assumption changes or inputs	372,505		372,505
Benefit payments	(818,132)	(818,132)	-
Employer contributions	-	1,470,050	(1,470,050)
ICMA transfers	-	62,443	(62,443)
Net investment income	-	(313,114)	313,114
Balance at 6/30/16	\$ 20,091,672	\$ 14,624,747	\$ 5,466,925

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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 FY2017 and 6.50 percent for FY2016, 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	
	2017	2016
1% decrease (5.00%), (5.50%)	\$ 7,608,979	\$ 7,886,172
Current discount rate (6.00%), (6.50%)	4,907,518	5,466,925
1% increase (7.00%), (7.50%)	2,600,104	3,399,744

Pension Plan Fiduciary Net Position

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

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

For the years ended June 30, 2017 and 2016, the District recognized pension expense of \$1,435,743 and \$1,315,327, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2017:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 439,505
Changes of assumptions	-	1,172,467
Net difference between projected and actual earnings	-	302,858
Contributions made subsequent to measurement date	-	-
Total	\$ -	\$ 1,914,830

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

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:	
2018	\$ 581,963
2019	703,772
2020	562,485
2021	66,710
2022	41,792
Thereafter	-

B. Defined Contribution Plan

Plan Description

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

Benefits Provided

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

Contributions

The District makes all contributions to the plan. The District's contributions for each 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, 2017 and 2016, employer contributions recognized as expense were \$414,434 and \$381,925, 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.

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

The level of benefits provided by the plan are the same as those afforded to active employees. This level of coverage is provided to retirees until they become eligible for Medicare, typically age 65.

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

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

B. Funding Policy

The District collects insurance premiums, net of applied explicit benefits, from all retirees each month. The District then pays health insurance premiums for all retirees at the blended rate for each family classification. The required contribution to the plan included the employer's pay-as-you-go amount, an amount paid by retirees and an additional amount calculated to prefund future benefits as determined by the actuary. The District has elected to not pre-fund the actuarially determined future cost. The amount paid by the District for retirees, and eligible retiree spouses, healthcare for the years ended June 30, 2017 and 2016 was \$121,369 and \$119,861 respectively.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the guidelines of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year ending June 30, 2017, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 580,506	\$ 553,451	\$ 541,272
Interest earned on net OPEB obligation	94,818	87,667	79,976
Adjustment to the annual required contribution	<u>(193,330)</u>	<u>(178,750)</u>	<u>(163,067)</u>
Annual OPEB cost	481,994	462,368	458,181
Estimated benefit payments	<u>288,538</u>	<u>258,073</u>	<u>238,432</u>
Increase in Net OPEB obligation	193,456	204,295	219,749
Beginning net OPEB obligation	<u>2,709,074</u>	<u>2,504,779</u>	<u>2,285,030</u>
Ending net OPEB obligation	<u>\$ 2,902,530</u>	<u>\$ 2,709,074</u>	<u>\$ 2,504,779</u>

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

The District's percentage of annual OPEB cost contributed to the plan for fiscal years ending June 30, 2017, 2016, and 2015 was 60 percent, 56 percent, and 52 percent, respectively.

D. Funding Status

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and the new estimates are made about the future. The funded status of the plan at June 30, 2017, based on the July 1, 2015 actuarial valuation is as follows:

Actuarial value of assets	\$	-
Actuarial accrued liability		4,005,778
Unfunded actuarial accrued liability (UAAL)		4,005,778
Funded ratio		0%
Covered payroll		10,461,751
UAAL as a percentage of covered payroll		38%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

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

The July 1, 2015 actuarial valuation used the projected unit credit cost method, an assumed 3.5 percent rate of return. The discount rate is selected based on the expected long-term annual investment returns for Oregon's Local Government Investment Pool and comparable investment vehicles. The assumed health care costs will increase 4.2 percent in the first year based on the known July 1, 2016 premium rates. Assumed cost increases in healthcare cost are shown in the table below. Increases after 2060 are assumed to slowly decline to an ultimate rate of 4.6 percent per year. The table below considers the impact of

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

the well-defined aspects of the Affordable Care Act (including an excise tax schedule to apply to high-cost plans beginning in 2020):

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2015	4.2%	2023-2041	6.1
2016	6.9	2042	6.0
2017	7.1	2043	5.9
2018	5.4	2044-2045	5.8
2019-2020	5.1	2046-2048	5.7
2021	5.6	2049-2053	5.6
2022	6.0	2054-2060	5.5

The general inflation rate is assumed to be 2.75 percent per year. Retirement and withdrawal rates are the same as those used by the District in the actuarial valuations of retirement benefits. The unfunded actuarially accrued liability is amortized as a level percent of payroll over 15 years on a rolling basis.

(7) Tax Abatement

The District's property taxes were reduced by \$58,246 in FY17 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)	\$ 40,427
City of Salem	Multiple Unit Housing (ORS 307.600 to 637)	8,026
State of Oregon	Historical Property (ORS 358.475 to 565)	9,793
		<u>\$ 58,246</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.

Salem Area Mass Transit District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

(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.

As of June 30, 2016, the District had a commitment of approximately \$83,770 for architectural work related to the South Salem Transit Center. No such commitment existed at June 30, 2017.

Required Supplementary Information



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

Salem Area Mass Transit District
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Years Ended June 30, 2017 and 2016

Defined Benefit Pension Plan - Non-Bargaining				
(in 1,000s)				
Last 10 Fiscal Years ¹				
Fiscal Year ending June 30				
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 59	\$ 55	\$ 68	\$ 63
Interest on total pension liability	483	486	437	437
Effect of plan changes	-	4	-	-
Effect of economic/demographic gains or losses	-	771	-	-
Effect of assumption changes or inputs	555	284	-	-
Benefit payments	(594)	(579)	(527)	\$ (490)
Net change in total pension liability	502	1,020	(22)	10
Total pension liability, beginning	7,660	6,640	6,662	6,652
Total pension liability, ending (a)	<u>\$ 8,162</u>	<u>\$ 7,660</u>	<u>\$ 6,640</u>	<u>\$ 6,662</u>
Fiduciary Net Position				
Employer contributions	\$ 567	\$ 473	\$ 451	\$ 1,069
ICMA transfers	134	152	334	111
Investment income net of investment expenses	620	(119)	76	520
Benefit payments	(594)	(579)	(527)	(490)
Net change in plan fiduciary position	727	(73)	334	1,210
Fiduciary net position, beginning	5,334	5,407	5,073	3,863
Fiduciary net position, ending (b)	<u>\$ 6,061</u>	<u>\$ 5,334</u>	<u>\$ 5,407</u>	<u>\$ 5,073</u>
Net pension liability, ending = (a)-(b)	<u>\$ 2,101</u>	<u>\$ 2,326</u>	<u>\$ 1,233</u>	<u>\$ 1,589</u>
Fiduciary net position as a % of total pension liability	74.25%	69.63%	81.43%	76.15%
Covered payroll	\$ 3,512	\$ 3,449	\$ 3,572	\$ 3,684
Net pension liability as a % of covered payroll	59.84%	67.44%	34.52%	43.13%

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

**Salem Area Mass Transit District
Schedule of Employer Contributions – Defined Benefit Plan – Non-Bargaining
For the Years Ended June 30, 2017 and 2016**

	2017	2016	2015	2014
Actuarially determined contribution	\$ 512,754	\$ 386,311	\$ 400,040	\$ 464,148
Actual employer contribution	566,742	472,904	450,685	1,069,000
Contribution deficiency(excess)	\$ (53,988)	\$ (86,593)	\$ (50,645)	\$ (604,852)
Covered payroll	\$3,512,016	\$3,449,206	\$3,571,786	\$3,683,712
Contribution as a % of covered payroll	16.14%	13.71%	12.62%	29.02%

Notes to Schedule:

Valuation date: 7/1/2015

Investment rate of return assumption: 6.50%

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 7/1/15: 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: 6.50%

Cost of living adjustments: None

Turnover: Service based

Mortality: RP-2000 Combined healthy morality with projection to 2020 per Scale AA

2013	2012	2011	2010	2009	2008
\$ 418,720	\$ 544,976	\$ 511,342	\$ 354,515	\$ 360,588	\$ 307,171
704,449	316,025	391,913	328,377	294,417	270,653
<u>\$ (285,729)</u>	<u>\$ 228,951</u>	<u>\$ 119,429</u>	<u>\$ 26,138</u>	<u>\$ 66,171</u>	<u>\$ 36,518</u>
\$3,323,178	\$3,707,321	\$3,478,516	\$3,313,227	\$3,369,982	\$3,530,703
21.20%	8.52%	11.27%	9.91%	8.74%	7.67%



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

Salem Area Mass Transit District
Schedule of Changes in the Net Pension Liability and Related Ratios, Bargaining
For the Years Ended June 30, 2017 and 2016

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

Last 10 Fiscal Years¹

Fiscal Year ending June 30

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 608	\$ 571	\$ 572	\$ 535
Interest on total pension liability	1,317	1,252	1,158	1,089
Effect of plan changes	-	63	-	-
Effect of economic/demographic gains or losses	-	714	-	-
Effect of assumption changes or inputs	1,198	373	-	-
Benefit payments	(896)	(818)	(738)	(564)
Net change in total pension liability	2,227	2,155	992	1,060
Total pension liability, beginning	20,092	17,937	16,945	15,885
Total pension liability, ending (a)	<u>\$ 22,319</u>	<u>\$ 20,092</u>	<u>\$ 17,937</u>	<u>\$ 16,945</u>
Fiduciary Net Position				
Employer contributions	\$ 1,778	\$ 1,470	\$ 1,374	\$ 2,363
ICMA transfers	154	62	389	94
Investment income net of investment expenses	1,751	(313)	205	1,331
Benefit payments	(896)	(818)	(738)	(564)
Net change in plan fiduciary position	2,787	401	1,230	3,224
Fiduciary net position, beginning	14,625	14,224	12,994	9,770
Fiduciary net position, ending (b)	<u>\$ 17,412</u>	<u>\$ 14,625</u>	<u>\$ 14,224</u>	<u>\$ 12,994</u>
Net pension liability, ending = (a)-(b)	<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	78.01%	72.79%	79.30%	76.68%
Covered payroll	\$ 5,912	\$ 5,883	\$ 5,633	\$ 6,210
Net pension liability as a % of covered payroll	83.00%	92.93%	65.92%	63.62%

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

Salem Area Mass Transit District
Schedule of Employer Contributions – Defined Benefit Plan - Bargaining
For the Years Ended June 30, 2017 and 2016

	2017	2016	2015	2014
Actuarially determined contribution	\$1,620,016	\$1,447,252	\$1,385,691	\$1,403,446
Actual employer contribution	1,778,155	1,470,050	1,374,052	2,362,838
Contribution deficiency(excess)	\$ (158,139)	\$ (22,798)	\$ 11,639	\$ (959,392)
Covered payroll	\$ 5,912,467	\$ 5,883,137	\$ 5,632,890	\$ 6,209,939
Contribution as a % of covered payroll	30.07%	24.99%	24.39%	38.05%

Notes to Schedule:

Valuation date: 7/1/2015

Investment rate of return assumption: 6.50%

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 7/1/15: 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: 6.50%

Cost of living adjustments: None

Turnover: Service based

Mortality: RP-2000 Combined healthy morality with projection to 2020 per Scale AA

2013	2012	2011	2010	2009	2008
\$1,310,605	\$1,336,104	\$1,316,567	\$1,176,679	\$ 947,845	\$ 845,719
1,314,866	1,352,215	1,172,427	1,138,077	861,566	928,704
<u>\$ (4,261)</u>	<u>\$ (16,111)</u>	<u>\$ 144,140</u>	<u>\$ 38,602</u>	<u>\$ 86,279</u>	<u>\$ (82,985)</u>
\$ 5,850,916	\$ 5,991,497	\$ 5,903,889	\$ 6,003,464	\$ 5,924,033	\$ 5,955,768
22.47%	22.57%	19.86%	18.96%	14.54%	15.59%

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

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
7/1/2015	\$ -	\$ 4,005,778	\$ 4,005,778	0.00%	\$ 10,461,751	38%
7/1/2013	-	3,681,355	3,681,355	0.00%	10,327,935	36%
7/1/2011	-	3,951,083	3,951,083	0.00%	9,698,818	41%

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



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

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, 2017

	Budget		Actual	Variance
	Original	Final		
Revenues				
Local revenue				
Passenger fares, passes & other fixed route services	\$ 3,349,000	\$ 3,349,000	\$ 3,064,647	\$ (284,353)
Property taxes	11,312,700	11,312,700	11,606,405	293,705
Courthouse square rentals	86,600	86,600	88,922	2,322
Earnings on investments	80,000	80,000	241,753	161,753
Miscellaneous	98,000	98,000	114,061	16,061
Total local revenue	<u>14,926,300</u>	<u>14,926,300</u>	<u>15,115,788</u>	<u>189,488</u>
State revenue				
Energy tax credits	-	-	222,714	222,714
State in lieu taxes	5,500,000	5,500,000	5,965,065	465,065
Total state revenue	<u>5,500,000</u>	<u>5,500,000</u>	<u>6,187,779</u>	<u>687,779</u>
Federal revenue				
Urbanized area formula (Section 5307)	3,975,200	3,975,200	4,389,169	413,969
FTA metropolitan & statewide planning (5303)	121,500	121,500	121,520	20
Total federal revenue	<u>4,096,700</u>	<u>4,096,700</u>	<u>4,510,689</u>	<u>413,989</u>
Total revenues	<u>24,523,000</u>	<u>24,523,000</u>	<u>25,814,256</u>	<u>1,291,256</u>
Expenditures				
General Manager/Board of Directors	603,900	603,900	530,536	73,364
Administration	1,813,400	1,813,400	1,777,959	35,441
Communication	1,582,700	1,502,700	1,359,115	143,585
Transportation Development	1,991,500	1,991,500	1,754,742	236,758
Operations	17,196,800	17,276,800	17,517,855	(241,055)
Unallocated	1,153,400	1,153,400	1,000,824	152,576
Contingency	1,500,000	1,500,000	-	1,500,000
Total expenditures	<u>25,841,700</u>	<u>25,841,700</u>	<u>23,941,031</u>	<u>1,900,669</u>
Net change in fund balance	(1,318,700)	(1,318,700)	1,873,225	3,191,925
Fund balance, beginning of year	<u>1,318,700</u>	<u>1,318,700</u>	<u>17,393,580</u>	<u>16,074,880</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,266,805</u>	<u>\$ 19,266,805</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, 2017

Revenues	Budget		Actual	Variance
	Original	Final		
State Revenue				
Special Transportation Fund Discretionary Grant Program	\$ 1,264,600	\$ 1,264,600	\$ -	\$ (1,264,600)
Federal revenue				
Urbanized area formula (Section 5307)	2,503,000	2,503,000	308,759	(2,194,241)
Federal STP Funds	2,356,300	2,356,300	14,110	(2,342,190)
Transportation for elderly persons and persons with disabilities (5310)	2,167,800	2,167,800	954	(2,166,846)
New freedom program (5317)	-	-	2,123	2,123
Discretionary grants - section (5309)	2,385,000	2,385,000	171,127	(2,213,873)
Federal Flex Funds	1,927,600	1,927,600	24,177	(1,903,423)
Total federal revenue	<u>11,339,700</u>	<u>11,339,700</u>	<u>521,250</u>	<u>(10,818,450)</u>
Total revenues	<u>12,604,300</u>	<u>12,604,300</u>	<u>521,250</u>	<u>(12,083,050)</u>
Expenditures				
Transportation Development	5,860,299	5,860,299	505,261	5,355,038
Operations	7,562,800	7,562,800	271,604	7,291,196
Total expenditures	<u>13,423,099</u>	<u>13,423,099</u>	<u>776,865</u>	<u>12,646,234</u>
Excess (deficiency) of revenues over expenditures	(818,799)	(818,799)	(255,615)	(24,729,284)
Other financing sources (uses)				
Transfer from other funds	127,000	127,000	-	(127,000)
Net change in fund balance	(691,799)	(691,799)	(255,615)	436,184
Fund balance, beginning of year	<u>691,799</u>	<u>691,799</u>	<u>3,649,111</u>	<u>2,957,312</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,393,496</u>	<u>\$ 3,393,496</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, 2017

	Budget		Actual	Variance
	Original	Final		
Revenues				
Local revenue				
Passenger fares	\$ 376,300	\$ 376,300	\$ 376,232	\$ (68)
Miscellaneous income	2,500	2,500	2,401	(99)
Total local revenue	<u>378,800</u>	<u>378,800</u>	<u>378,633</u>	<u>(167)</u>
State revenue				
Special transportation fund program (ODOT)	1,516,700	1,516,700	1,291,134	(225,566)
Federal revenue				
Oregon health plan - medical assistance programs (DMAP)	10,170,100	10,170,100	9,736,439	(433,661)
New Freedom Program (5317)	85,700	85,700	94,857	9,157
Developmental disabilities transportation services (DD53)	2,600,000	2,600,000	2,455,869	(144,131)
Transportation for elderly persons and persons with disabilities (5310)	953,900	953,900	968,620	14,720
Formula grants for other than urbanized areas (5311)	322,900	322,900	365,978	43,078
Rideshare/TDM grant	353,800	353,800	353,395	(405)
Urbanized area formula (Section 5307)	823,200	823,200	792,541	(30,659)
Total federal revenue	<u>15,309,600</u>	<u>15,309,600</u>	<u>14,767,699</u>	<u>(541,901)</u>
Total revenues	<u>17,205,100</u>	<u>17,205,100</u>	<u>16,437,466</u>	<u>(767,634)</u>
Expenditures				
Transportation development	661,700	661,700	725,933	(64,233)
Operations	<u>17,047,600</u>	<u>17,047,600</u>	<u>16,619,274</u>	<u>428,326</u>
Total expenditures	<u>17,709,300</u>	<u>17,709,300</u>	<u>17,345,207</u>	<u>364,093</u>
Excess (deficiency) of revenues over expenditures	(504,200)	(504,200)	(907,741)	(1,131,727)
Other financing sources (uses)				
Transfers out	<u>(127,000)</u>	<u>(127,000)</u>	-	127,000
Net change in fund balance	(631,200)	(631,200)	(907,741)	(276,541)
Fund balance, beginning of year	<u>631,200</u>	<u>631,200</u>	<u>3,000,728</u>	<u>2,369,528</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,092,987</u>	<u>\$ 2,092,987</u>

**Salem Area Mass Transit District
Schedule of Expenditure Comparison
Budgetary Division Basis vs Object Classification Basis
For the Year Ended June 30, 2017**

	General Fund	Capital Project Fund	Special Transportation Fund	District Wide Total
Expenditures by Division				
General Manager/Board of Directors	\$ 530,536	\$ -	\$ -	\$ 530,536
Administration	1,777,959	1,485	-	1,779,444
Transportation Development	1,754,742	503,776	725,933	2,984,451
Operations	17,517,855	271,604	16,619,274	34,408,733
Unallocated	1,000,824	-	-	1,000,824
Total expenditures	<u>\$ 23,941,031</u>	<u>\$ 776,865</u>	<u>\$ 17,345,207</u>	<u>\$ 42,063,103</u>
 Expenditures by Object Classification				
Personnel services	\$ 19,047,671	\$ 60,943	\$ 1,248,208	\$ 20,356,822
Materials and services	4,893,360	4,916	16,096,999	20,995,275
Capital outlay	-	711,006	-	711,006
Total expenditures	<u>\$ 23,941,031</u>	<u>\$ 776,865</u>	<u>\$ 17,345,207</u>	<u>\$ 42,063,103</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, 2017

Net change in fund balance:	
General fund	\$ 1,873,225
Capital improvement fund	(255,615)
Special transportation fund	<u>(907,741)</u>
Total change in fund balance	709,869
GAAP basis adjustments:	
Capitalized capital assets	758,452
Depreciation expense	(2,305,590)
Gain (loss) on disposal of assets	1,660
Pension contributions in excess of pension expense	(4,632)
Property taxes accrual	(31,972)
OPEB liability adjustment	<u>(193,456)</u>
Change in net position	<u>\$ (1,065,669)</u>

Salem Area Mass Transit District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Capital Improvement Projects on a Non-GAAP Budget Basis
For the Year Ended June 30, 2017

Revenues	Capital Project	Del Webb Facility	ADA Assesment	Cherriots
	Administration	Improvements	Center	Vehicles
Federal revenue				
Urbanized area formula (Section 5307)	\$ -	\$ 127,058	\$ -	\$ 78,797
Federal STP Funds	-	-	-	8,788
Transportation for elderly persons and persons with disabilities (5310)	-	-	-	-
New freedom program (5317)	-	-	2,123	-
Discretionary grants - section (5309)	-	-	-	-
Federal Flex Funds	-	-	-	-
Total federal revenue	<u>-</u>	<u>127,058</u>	<u>2,123</u>	<u>87,585</u>
Other revenue				
Insurance Settlement	-	-	-	-
Total revenues	<u>-</u>	<u>127,058</u>	<u>2,123</u>	<u>87,585</u>
Expenditures				
Personnel services	17,408	5,764	-	9,388
Materials and services	1,006	-	-	405
Capital outlay	-	152,988	-	193,000
Total expenditures	<u>18,414</u>	<u>158,752</u>	<u>-</u>	<u>202,793</u>
Net change in fund balance	(18,414)	(31,694)	2,123	(115,208)
Fund balance, beginning of year	<u>57,800</u>	<u>67,300</u>	<u>-</u>	<u>2,072,872</u>
Fund balance, end of year	<u>\$ 39,386</u>	<u>\$ 35,606</u>	<u>\$ 2,123</u>	<u>\$ 1,957,664</u>

CherryLift Vehicles	CARTS Vehicles	Keizer Transit Center	South Salem Transit Center	Bus Stop Improvements	Equipment	Courthouse Square Improvements	Total Capital Improvement Fund
\$ -	\$ -	\$ -	\$ -	\$ 4,338	\$ 98,566	\$ -	\$ 308,759
-	-	-	511	4,811	-	-	14,110
-	954	-	-	-	-	-	954
-	-	-	-	-	-	-	2,123
456	-	170,671	-	-	-	-	171,127
-	-	-	-	24,177	-	-	24,177
<u>456</u>	<u>954</u>	<u>170,671</u>	<u>511</u>	<u>33,326</u>	<u>98,566</u>	<u>-</u>	<u>521,250</u>
-	-	-	-	-	-	-	-
<u>456</u>	<u>954</u>	<u>170,671</u>	<u>511</u>	<u>33,326</u>	<u>98,566</u>	<u>-</u>	<u>521,250</u>
-	-	2,630	2,941	22,338	474	-	60,943
405	405	-	-	-	2,695	-	4,916
<u>550</u>	<u>550</u>	<u>210,707</u>	<u>5,000</u>	<u>23,172</u>	<u>120,039</u>	<u>5,000</u>	<u>711,006</u>
<u>955</u>	<u>955</u>	<u>213,337</u>	<u>7,941</u>	<u>45,510</u>	<u>123,208</u>	<u>5,000</u>	<u>776,865</u>
(499)	(1)	(42,666)	(7,430)	(12,184)	(24,642)	(5,000)	(255,615)
<u>226,184</u>	<u>264,555</u>	<u>459,600</u>	<u>41,000</u>	<u>233,000</u>	<u>216,800</u>	<u>10,000</u>	<u>3,649,111</u>
<u>\$ 225,685</u>	<u>\$ 264,554</u>	<u>\$ 416,934</u>	<u>\$ 33,570</u>	<u>\$ 220,816</u>	<u>\$ 192,158</u>	<u>\$ 5,000</u>	<u>\$ 3,393,496</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 Years Ended June 30, 2017

	<u>CherryLift</u>	<u>RED LINE</u>
Revenues		
Local revenue		
Passenger fares	\$ 197,907	\$ 21,693
Miscellaneous income	-	-
Total local revenue	<u>197,907</u>	<u>21,693</u>
State revenue		
Special transportation fund program (ODOT)	390,934	90,861
Federal revenue		
Oregon health plan - medical assistance programs (DMAP)	-	-
New Freedom Program (5317)	94,857	-
Developmental disabilities transportation services (DD53)	2,455,869	-
Transportation for elderly persons and persons with disabilities (5310)	270,480	222,270
Formula grants for other than urbanized areas (5311)	-	-
Rideshare/TDM grant	-	-
Urbanized area formula (Section 5307)	792,541	-
Total federal revenue	<u>3,613,747</u>	<u>222,270</u>
Total revenues	<u>4,202,588</u>	<u>334,824</u>
Expenditures		
Personnel services	382,708	1,120
Materials and services		
Other materials and services	4,566,368	192,599
Call center allocation	271,631	65,453
Total expenditures	<u>5,220,707</u>	<u>259,172</u>
Net change in fund balance	(1,018,119)	75,652
Fund balance, beginning of year	<u>1,843,197</u>	<u>57,600</u>
Fund balance, end of year	<u>\$ 825,078</u>	<u>\$ 133,252</u>

CARTS	DMAP/ WVCH	TripLink Call Center	Travel Training	STF Coordination	Rideshare	TDM Grant	Total Special Transportation Fund
\$ 156,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 376,232
-	-	-	-	2,401	-	-	2,401
156,632	-	-	-	2,401	-	-	378,633
643,605	-	-	163,585	2,149	-	-	1,291,134
-	9,736,439	-	-	-	-	-	9,736,439
-	-	-	-	-	-	-	94,857
-	-	-	-	-	-	-	2,455,869
327,375	-	-	139,900	8,595	-	-	968,620
365,978	-	-	-	-	-	-	365,978
-	-	-	-	-	190,833	162,562	353,395
-	-	-	-	-	-	-	792,541
693,353	9,736,439	-	139,900	8,595	190,833	162,562	14,767,699
1,493,590	9,736,439	-	303,485	13,145	190,833	162,562	16,437,466
54,369	280,471	43,128	197,830	9,329	150,797	128,456	1,248,208
989,959	8,757,934	1,487,539	27,044	1,415	40,036	34,105	16,096,999
38,366	1,155,217	(1,530,667)	-	-	-	-	-
1,082,694	10,193,622	-	224,874	10,744	190,833	162,561	17,345,207
410,896	(457,183)	-	78,611	2,401	-	1	(907,741)
-	1,016,831	-	78,900	4,200	-	-	3,000,728
\$ 410,896	\$ 559,648	\$ -	\$ 157,511	\$ 6,601	\$ -	\$ 1	\$ 2,092,987



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

Statistical Section

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

Contents

Financial Trend Information

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

Revenue Capacity Information

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

Demographic and Economic Information

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

Operating Information

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

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



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

Financial Trend Information

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

	2008	2009	2010
ASSETS			
Current and other assets	\$ 11,263,617	\$ 9,902,524	\$ 15,370,036
Capital assets, net	27,949,586	28,131,954	27,433,790
 Total assets	 39,213,203	 38,034,478	 42,803,826
 Deferred outflows of resources	 -	 -	 -
 Total assets and deferred outflows of resources	 \$ 39,213,203	 \$ 38,034,478	 \$ 42,803,826
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities	\$ 3,234,389	\$ 2,822,167	\$ 4,840,891
Noncurrent liabilities	2,009,656	746,212	813,866
 Total liabilities	 5,244,045	 3,568,379	 5,654,757
 Deferred inflow of resources	 -	 -	 -
NET POSITION			
Investment in capital assets	27,949,586	28,131,954	27,433,790
Restricted for capital projects and special transportation	4,543,842	4,727,824	6,058,918
Unrestricted	1,475,730	1,606,321	3,656,361
 Total net position	 33,969,158	 34,466,099	 37,149,069
 Total liabilities, deferred inflows of resources and net position	 \$ 39,213,203	 \$ 38,034,478	 \$ 42,803,826

2011	2012	2013	(restated) 2014	(restated) 2015	2016	2017
\$ 17,728,733	\$ 23,652,119	\$ 24,153,129	\$ 20,148,979	\$ 24,911,083	\$ 29,396,596	\$ 28,795,580
33,014,713	28,156,242	34,371,636	36,855,141	35,578,093	34,434,992	32,887,854
50,743,446	51,808,361	58,524,765	57,004,120	60,489,176	63,831,588	61,683,434
-	-	-	-	277,838	3,349,887	3,086,390
<u>\$ 50,743,446</u>	<u>\$ 51,808,361</u>	<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>
\$ 5,355,014	\$ 7,938,659	\$ 6,078,400	\$ 3,717,897	\$ 3,488,792	\$ 4,266,140	\$ 3,511,481
1,153,604	1,523,030	1,904,030	7,826,851	7,451,813	10,502,968	9,911,645
6,508,618	9,461,689	7,982,430	11,544,748	10,940,605	14,769,108	13,423,126
-	-	-	675,936	-	-	-
33,014,713	28,156,242	34,371,636	36,855,141	34,772,770	34,434,992	32,887,854
1,699,364	2,178,935	4,928,337	5,055,907	5,957,083	6,577,713	5,401,135
9,520,751	12,011,495	11,242,362	2,872,388	8,291,233	11,399,662	13,057,709
44,234,828	42,346,672	50,542,335	44,783,436	49,826,409	52,412,367	51,346,698
<u>\$ 50,743,446</u>	<u>\$ 51,808,361</u>	<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>

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

	2008	2009	2010
OPERATING REVENUES:			
Passenger fares	\$ 2,762,266	\$ 3,231,769	\$ 2,095,166
Accessible services and medicaid	-	-	-
Other revenue	795,715	622,791	886,411
Total operating revenues	<u>3,557,981</u>	<u>3,854,560</u>	<u>2,981,577</u>
OPERATING EXPENSES:			
Personnel services	14,524,212	14,351,777	15,408,544
Materials and services	12,769,166	15,770,114	15,143,728
Depreciation	2,512,574	2,459,175	2,341,038
OPEB expense	-	406,933	406,933
Total operating expenses	<u>29,805,952</u>	<u>32,987,999</u>	<u>33,300,243</u>
Operating loss	(26,247,971)	(29,133,439)	(30,318,666)
NON-OPERATING REVENUES (EXPENSES):			
Property taxes	8,566,026	9,076,275	9,461,631
State assistance	5,029,477	6,286,707	7,764,506
Federal assistance	9,488,576	9,173,937	13,010,303
Investment income	265,859	111,844	32,217
Insurance Settlement	-	-	-
(Loss) gain on disposal of capital assets	-	-	-
Total non-operating revenues (expenses)	<u>23,349,938</u>	<u>24,648,763</u>	<u>30,268,657</u>
Net income (loss) before contributions	(2,898,033)	(4,484,676)	(50,009)
EXTRAORDINARY ITEMS			
Loss on capital asset impairment	-	-	-
Litigation settlement	-	-	-
CAPITAL CONTRIBUTIONS	<u>6,056,170</u>	<u>4,981,617</u>	<u>2,732,979</u>
Change in net position	3,158,137	496,941	2,682,970
NET POSITION, BEGINNING	<u>30,811,021</u>	<u>33,969,158</u>	<u>34,466,099</u>
Cumulative effect of restatement	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION, ENDING	<u>\$ 33,969,158</u>	<u>\$ 34,466,099</u>	<u>\$ 37,149,069</u>

2011	2012	2013	(restated) 2014	(restated) 2015	2016	2017
\$ 2,271,146	\$ 2,916,951	\$ 2,793,604	\$ 2,776,575	\$ 2,817,514	\$ 2,694,423	\$ 3,201,972
1,255,467	2,472,645	3,127,234	3,129,220	2,948,422	2,662,441	2,455,869
501,722	594,405	653,937	465,052	365,058	366,047	550,519
4,028,335	5,984,001	6,574,775	6,370,847	6,130,994	5,722,911	6,208,360
15,536,920	15,715,505	16,130,831	13,960,216	16,204,737	18,478,140	20,359,793
13,275,500	14,901,593	16,200,005	18,310,843	20,294,244	20,170,430	20,947,830
2,699,400	3,556,442	2,883,582	3,032,068	3,059,323	2,576,402	2,305,590
339,738	369,426	381,000	381,000	219,749	204,295	193,456
31,851,558	34,542,966	35,595,418	35,684,127	39,778,053	41,429,267	43,806,669
(27,823,223)	(28,558,965)	(29,020,643)	(29,313,280)	(33,647,059)	(35,706,356)	(37,598,309)
9,632,849	9,733,903	9,984,733	10,179,017	10,714,350	11,258,672	11,574,433
7,615,152	7,459,771	5,251,979	5,746,114	7,708,296	7,195,009	7,371,134
10,306,319	11,014,530	12,538,020	11,786,100	18,721,493	18,198,155	16,901,469
44,304	58,336	65,672	53,457	94,776	140,579	241,753
-	-	-	-	22,557	29,942	-
-	(21,817)	14,000	1,859	8,607	(39,539)	1,660
27,598,624	28,244,723	27,854,404	27,766,547	37,270,079	36,782,818	36,090,449
(224,599)	(314,242)	(1,166,239)	(1,546,733)	3,623,020	1,076,462	(1,507,860)
-	(4,033,628)	-	-	-	-	-
-	-	3,842,554	-	-	-	-
7,310,358	2,459,714	5,519,348	4,691,727	644,630	1,509,496	442,191
7,085,759	(1,888,156)	8,195,663	3,144,994	4,267,650	2,585,958	(1,065,669)
37,149,069	44,234,828	42,346,672	50,542,335	44,783,436	49,826,409	52,412,367
-	-	-	(8,903,893)	775,323	-	-
<u>\$ 44,234,828</u>	<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>



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

Revenue Capacity Information

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

Fiscal Year Ended June 30	Real Property			Public Utilities
	Residential	Commercial	Other	
2017	\$10,261,969,852	\$ 4,257,563,122	\$ 1,055,435,445	\$ 448,922,166
2016	9,853,001,147	4,099,075,717	986,203,656	417,339,803
2015	9,465,844,664	3,995,343,187	911,072,066	379,053,441
2014	9,007,573,480	3,846,172,970	905,365,652	368,759,319
2013	8,816,797,730	3,433,678,538	1,279,522,572	369,029,826
2012	8,759,048,203	3,339,150,044	1,343,247,958	379,657,608
2011	8,600,677,419	3,183,653,070	1,312,362,404	442,244,755
2010	8,361,385,216	3,087,730,407	1,289,452,586	427,454,948
2009	8,077,158,768	2,918,957,086	1,277,143,724	339,680,536
2008	7,684,866,692	2,803,893,266	1,216,667,745	344,047,884
2007	7,302,989,213	2,647,888,179	1,144,732,743	305,671,160
2006	6,904,738,831	2,502,620,059	1,124,720,548	305,267,725
2005	6,499,908,300	2,390,898,269	1,111,367,017	345,988,327
2004	6,168,296,832	2,303,087,915	1,171,634,267	311,451,968

Sources:

Marion County and Polk County Assessors.

Notes:

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

<u>Personal Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Value of Taxable Property</u>
\$ 436,390,694	\$ 16,418,918,782	0.7609	\$ 25,749,229,877
413,860,724	15,742,935,794	0.7609	24,304,342,176
382,966,983	15,134,280,342	0.7609	23,163,638,103
412,792,970	14,540,664,391	0.7609	22,031,259,655
390,105,749	14,289,134,415	0.7609	21,722,497,819
380,494,517	14,201,598,330	0.7609	21,696,127,273
388,944,263	13,927,881,911	0.7609	22,584,754,218
394,774,662	13,560,797,819	0.7609	23,200,234,621
376,216,930	12,989,157,044	0.7609	23,664,102,049
365,161,804	12,414,637,391	0.7609	22,610,541,701
340,400,775	11,741,682,070	0.7609	19,737,098,423
335,286,345	11,172,633,508	0.7609	17,733,108,386
330,659,839	10,678,821,752	0.7609	16,305,386,468
332,193,935	10,286,664,917	0.7609	15,315,648,811

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

Taxpayer	2017			2008		
	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	\$ 121,625,370	0.74%	1	\$ 96,786,900	0.78%
Northwest Natural Gas Co	2	88,641,000	0.54%	2	72,771,800	0.59%
Donahue Schriber Realty Group	3	61,182,830	0.37%	5	50,432,430	0.41%
Lancaster Development Company LLC	4	56,532,220	0.34%	4	55,056,770	0.44%
CenturyLink (Formerly Qwest)	5	53,940,600	0.33%	3	71,187,100	0.57%
Metropolitan Life Insurance Co	6	46,887,770	0.29%	6	36,457,810	0.29%
State Investments LLC	7	38,800,959	0.24%			0.00%
Wal-Mart Real Estate Business Tr	8	35,758,810	0.22%	7	28,477,580	0.23%
HD Salem OR Landlord LLC	9	34,972,620	0.21%			0.00%
Norpac Foods Inc	10	33,066,595	0.20%			0.00%
State Accident Insurance Fund				8	25,477,140	0.21%
Lowe's HIW Inc				9	25,255,080	0.20%
PPG Industries Inc				10	24,026,208	0.19%
Total for principal taxpayers		<u>571,408,774</u>	3.48%		<u>485,928,818</u>	3.91%
Total taxable assessed value		<u>\$ 16,418,918,782</u>			<u>\$ 12,414,637,391</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
2017	\$ 11,965,300	\$ 11,378,225	95.09%	\$ -	\$ 11,378,225	95.09%
2016	11,509,781	10,905,167	94.75%	153,879	11,059,046	96.08%
2015	10,882,259	10,279,838	94.46%	150,897	10,430,735	95.85%
2014	10,472,555	9,853,189	94.09%	233,913	10,087,102	96.32%
2013	10,233,065	9,570,505	93.53%	310,027	9,880,532	96.55%
2012	10,084,413	9,412,400	93.34%	339,687	9,752,087	96.70%
2011	9,899,957	9,218,258	93.11%	364,206	9,582,464	96.79%
2010	9,648,987	8,976,407	93.03%	371,361	9,347,768	96.88%
2009	9,308,022	8,651,833	92.95%	394,628	9,046,461	97.19%
2008	8,920,000	8,353,566	93.65%	312,027	8,665,593	97.15%
2007	8,464,291	7,999,676	94.51%	256,526	8,256,202	97.54%

Sources:

Marion County Assessor and Polk County Treasurer



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

Demographic and Economic Information



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

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

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate</u>
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%
2009	318,170	10,453,957	32,876	10.8%
2008	314,865	10,374,739	33,075	9.2%

Personal Income in thousands

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

Sources:

Oregon Employment Department - Local Area Unemployment Statistics; Personal Income Data
 US Department of Commerce, Bureau of Economic Analysis; Regional Economic Data
 US Bureau of Labor Statistics, Local Area Unemployment Statistics
 Population Research Center, Portland State University

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

<u>Employer</u>	<u>2017</u>		<u>2008</u>	
	<u>Employees</u>	<u>% of Total</u>	<u>Employees</u>	<u>% of Total</u>
Government	43,900	26.25%	42,600	27.89%
Trade, transportation, and utilities	28,300	16.93%	25,700	16.83%
Educational and health services	27,300	16.33%	20,100	13.16%
Leisure and hospitality	15,100	9.03%	12,800	8.38%
Professional and business services	14,300	8.55%	12,900	8.45%
Manufacturing	13,400	8.01%	14,000	9.17%
Construction	10,500	6.28%	9,100	5.96%
Financial activities	6,900	4.13%	7,500	4.91%
Other services	5,700	3.41%	5,400	3.54%
Mining and logging	700	0.42%	1,200	0.79%
Information	1,100	0.66%	1,400	0.92%
Total Salem Metropolitan Area Non-Farm Payroll Employment	<u>167,200</u>	<u>100.00%</u>	<u>152,700</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



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Division										
<u>General Fund</u>										
General Manager	2.0	2.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Administration										
Human Resources	6.0	6.0	5.5	5.5	4.5	3.5	4.0	4.5	4.1	4.1
Human Resources-Safety					-	1.0	1.0	1.0	1.0	1.0
Marketing & Communication	-	-	-	-	-	2.0	3.0	3.0	3.0	3.0
Finance	8.50	8.0	7.00	7.0	7.0	7.0	7.0	6.5	6.5	7.7
Operations										
Administration	3.0	3.0	3.0	2.0	2.0	5.5	4.0	3.0	3.0	3.2
Customer Service	6.5	6.5	5.5	5.5	6.0	6.0	6.0	6.1	6.0	5.8
Security	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fixed Route Operations	115.5	115.5	105.5	108.5	108.5	106.5	106.0	110.0	110.0	112.0
Vehicle Maintenance	26.0	26.0	25.0	25.0	25.0	25.0	26.0	24.5	24.0	24.3
Facilities Maintenance	6.0	7.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.1
Transportation Development										
Transportation Development Administration	4.0	4.0	3.0	7.0	7.0	4.7	4.5	4.0	4.5	5.6
Information Technology	2.0	2.0	2.0	3.0	4.0	4.0	5.0	4.5	5.0	5.0
Rideshare Program	2.0	2.0	2.0	1.0	1.5	2.0	2.0	-	-	-
Total General Fund FTE Per Budget	183.0	184.0	168.0	174.0	174.5	176.0	177.5	176.0	176.5	180.8
<u>Special Transportation Fund</u>										
CherryLift	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.5	3.5	3.1
RED Line	-	-	-	-	-	-	-	-	-	0.2
CARTS	0.5	0.5	0.5	0.5	0.5	0.5	0.5	1.5	1.5	1.4
DMAP	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Trip Link Call Center	-	-	-	-	-	-	-	0.5	0.5	0.6
Mobility Management/Travel Trainer	1.5	1.5	1.5	1.5	1.5	1.5	1.5	3.0	2.0	1.9
Special Transportation Coordination	1.0	1.0	-	-	-	-	1.0	-	0.5	0.3
Rideshare	-	-	-	-	-	-	-	2.0	2.0	2.5
Total Special Transportation Fund FTE Per Budget	8.0	8.0	7.0	7.0	7.0	7.0	8.0	12.5	12.0	12.0
<u>Capital Project Fund</u>	-	-	-	1.0	1.0	1.0	1.0	1.5	1.0	3.2
Total District Wide FTE Per Budget	191.0	192.0	175.0	182.0	182.5	184.0	186.5	190.0	189.5	196.0

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

Fixed Route System

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

Demand Response

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

Vanpool

Fiscal Year	Fare Revenue	Operating Expense	Revenue Margin	Annual Vehicle Miles	Annual Revenue Miles	Unlinked Passenger Trips (UPT)
2008	-	106,615	0.0%	120,258	120,258	23,444
2009	67,246	150,398	44.7%	186,407	186,407	34,466
2010	100,692	190,234	52.9%	223,173	223,173	38,080
2011	103,070	219,087	47.0%	246,546	246,546	42,888
2012	140,800	289,517	48.6%	343,211	343,211	55,830
2013	182,063	376,183	48.4%	399,775	399,775	66,175
2014	200,596	381,891	52.5%	499,454	499,454	79,084
2015	483,530	391,795	123.4%	613,938	613,938	79,084
2016	488,651	245,285	199.2%	566,917	566,917	78,774
2017	-	177,903	0.0%	578,196	578,196	72,591

* 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 is conducting a sampling in FY2017.

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

Demand Response							
Fiscal Year	Annual Passenger Miles	Annual Vehicle Revenue Hours	Operating Expense per Mile	Operating Expense per Revenue Mile	Operating Expense per UPT	Operating Expense per Passenger Mile	
2008	4,008,772	216,539	2.62	2.98	22.00	2.36	
2009	5,124,417	215,509	2.68	3.34	26.23	2.26	
2010	5,449,726	233,497	2.76	3.17	23.75	2.03	
2011	6,202,495	226,002	3.38	3.48	29.36	2.09	
2012	8,340,340	232,769	2.41	2.41	26.83	1.38	
2013	5,534,320	244,964	2.84	3.08	26.34	2.32	
2014	3,626,371	270,933	2.89	3.13	25.94	3.78	
2015	*	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	

Vanpool							
Fiscal Year	Annual Passenger Miles	Annual Vehicle Revenue Hours	Operating Expense per Mile	Operating Expense per Revenue Mile	Operating Expense per UPT	Operating Expense per Passenger Mile	
2008	956,191	3,939	0.89	0.89	4.55	0.11	
2009	1,296,409	4,217	0.81	0.81	4.36	0.12	
2010	1,457,047	4,974	0.85	0.85	5.00	0.13	
2011	1,645,638	5,633	0.89	0.89	5.11	0.13	
2012	2,060,457	7,705	0.84	0.84	5.19	0.14	
2013	2,611,080	8,704	0.94	0.94	5.68	0.14	
2014	2,841,022	11,418	0.76	0.76	4.83	0.13	
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	



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN

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



NO CONTENT APPEARS
ON THIS PAGE BY DESIGN



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT 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, 2017, and have issued our report thereon dated February 26, 2018.

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 over-expenditures as noted 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.

A letter containing deficiencies in internal controls over financial reporting has been separately issued in the federal compliance report.

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
February 26, 2018

SALEM AREA MASS TRANSIT DISTRICT

Federal Compliance Report

For the year ended

June 30, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2018.

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. We did identify certain deficiencies in internal control, described at 2017-001 in the accompanying schedule of findings and questioned costs that we consider to be a material weakness.

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*.

Salem Area Mass Transit's Response to the Finding

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

Purpose of this Report

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


CERTIFIED PUBLIC ACCOUNTANTS
February 26, 2018



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, 2017. 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, 2017.

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated February 26, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

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


CERTIFIED PUBLIC ACCOUNTANTS
March 23, 2018

Salem Area Mass Transit District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

	<i><u>Federal CFDA Number</u></i>	<i><u>Pass- Through Entity Grantor/Number</u></i>	<i><u>Program/ Award Amount</u></i>	<i><u>Expenditures</u></i>
<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	\$ 170,671
12 5309 Paratransit	20.500	OR04-0045	589,300	456
14 5307 PM, ADA, Operating	20.507	OR90-X173	3,116,545	113,416
15/16 5307 PM, ADA, Operating	20.507	OR-2016-009	9,267,847	645,336
17 5307 PM, ADA, Operating	20.507	OR-2017-020	4,536,374	4,536,374
Transit Enhancement	20.507	unknown	262,250	195,343
08 5307_ STP Bus Stops, Shelters	20.507	OR95-X015	695,380	2,441
13 5307_ STP Bus Stops, Shelters	20.507	OR95-X043	796,923	24,177
13 5307_ STP Tier 4 Bus Stops, Shelters	20.507	unknown	1,103,077	2,370
5307_ STP CNG Tank	20.507	OR95-X065	232,000	7,363
5307_STP SSTC PM&PE	20.507	OR95-X067	350,000	511
5307_Bus Replacement	20.507	OR95-X018	6,899,743	1,425
				<u>5,699,883</u>
<i>Passed through Oregon Department of Transportation</i>				
CARTS buses	20.526	31457	209,523	<u>152</u>
<i>Total Federal Transit Cluster</i>				<u>5,700,035</u>
<i>Transit Services Programs Cluster</i>				
<i>Direct</i>				
13/14/15 5310	20.513	OR16-X040	670,409	32,328
16 5310	20.513	OR-2017-006	224,033	<u>224,033</u>
				256,361
<i>Passed through Oregon Department of Transportation</i>				
Cherrylift Purchased Service	20.513	30749	313,590	190,292
CARTS Preventative Maintenance	20.513	30749	251,244	76,185
Travel Training/Mobility	20.513	30749	346,358	139,900
CARTS Purchased Service	20.513	30749	654,584	251,190
Redline Purchased Service	20.513	30749	53,838	54,692
CARTS vehicle purchase	20.513	30749	448,650	692
				<u>712,951</u>
<i>Direct</i>				
New Freedom 06-12	20.521	OR57-X004	229,204	<u>96,980</u>
<i>Total Transit Services Programs Cluster</i>				<u>1,066,292</u>

See notes to schedule of expenditures of federal awards.

**Salem Area Mass Transit District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017 (Continued)**

	<i><u>Federal CFDA Number</u></i>	<i><u>Pass- Through Grantor/Number</u></i>	<i><u>Program/ Award Amount</u></i>	<i><u>Expenditures</u></i>
<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 FY16/17 purch service	20.509	30482	\$ 638,101	\$ 350,580
CARTS Rural FY16/17 admin	20.509	30482	23,999	10,562
Network Planning	20.509	31676	41,949	4,836
<i>Total Formula Grant for Rural Areas Cluster</i>				<u>365,978</u>
 <i>Highway Planning and Construction Cluster</i>				
<i>Passed through Oregon Department of Transportation</i>				
Rideshare FY16/17	20.205	30836	398,685	190,833
TDM FY16/17	20.205	30836	308,941	162,562
 <i>FTA Metropolitan Planning</i>				
<i>Passed through Mid-Willamette Valley Council of Governments</i>				
Transportation Planning 17	20.205	31339	121,520	121,520
<i>Total Highway Planning and Construction Cluster</i>				<u>474,915</u>
 <i>Total Expenditures of Federal Awards</i>				<u><u>\$ 7,607,220</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, 2017

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, 2017. 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, 2017**

SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issues:	Unmodified
Internal control reporting:	
• Material weakness(es) identified?	Yes
• 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>
20.205	Highway Planning and Construction Cluster
20.500, 20.507	Federal Transit Cluster

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

FINANCIAL STATEMENT FINDINGS

Finding 2017-001 Financial Record Preparation and Maintenance (Material Weakness)

Condition:

The District did not accurately report various general ledger accounts which would have caused the financial statements to be materially misstated. These adjustments included:

- 1) Prepaid expenses were overstated by approximately \$56,000.
- 2) Federal grants receivable and the related revenue accounts were understated by approximately \$148,000.
- 3) State receivables and the related revenue accounts were increased by about \$1.5 million.
- 4) Construction-in-progress was overstated by about \$610,000. This also caused depreciation expense to be understated by \$32,000.
- 5) Net pension liability was overstated by approximately \$260,000, deferred outflows related to pensions was understated by approximately \$397,000 and deferred inflows related to pensions was understated by approximately \$661,000.
- 6) Other post-employment benefits liability and related expense was understated by approximately \$193,000.

**Salem Area Mass Transit District
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2017**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2017-001 Financial Record Preparation and Maintenance (Material Weakness) (Continued)

Criteria:

In order to process accurate and timely financial statements, the District must have good processes and internal controls in place to ensure the accuracy of the data reported. The District did not have adequate processes or internal controls in place to ensure the accuracy of the data.

Cause of Condition:

The District staff responsible for reconciling the accounts did not have adequate experience in governmental accounting. The staff hired to perform these responsibilities did not have sufficient prior experience with grant accounting and is learning the proper accounting on the job.

For capital assets, we believe that not enough time was spent going through construction in process accounts to determine what were completed and should be capitalized and depreciated. There was also a lack of adequate internal review of the capital assets reconciliations for accuracy and completeness that possibly could have caught these errors prior to the preparation of the financial statements.

Potential Effect of Condition:

As described above there were material journal entries that had to be recorded in order for the financial statements to be materially accurate.

Recommendation:

We recommend that the District implement processes and internal controls to ensure that the District's financial records are accurate prior to submission to the audit team. This also includes documented processes for future employees in the event that employees leave the District.

Views of Responsible Officials:

The District agrees with this finding. Turnover of staff in the fourth quarter of FY 2017 affected the year-end close process. Training of new staff has been ongoing since the February 2018 hire of a Director of Finance/CFO. Also, fiscal policies and procedures related to construction in process, pensions, and OPEB will be examined, updated, and implemented by September 2018.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

None

CORRECTIVE ACTION PLAN

March 23, 2018

Federal Transit Administration

The Salem Area Mass Transit District respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm:

Grove, Mueller & Swank, PC
475 Cottage St NE Suite 200
Salem, Oregon 97301

Audit period:

For the fiscal year ended June 30, 2017.

The findings from the March 23, 2018, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

DEPARTMENT OF TRANSPORTATION

Finding 2017-001 Financial Record Preparation and Maintenance (Material Weakness)

The District did not accurately report various general ledger accounts which would have caused the financial statements to be materially misstated. These adjustments include:

- 1) Prepaid expenses were overstated by approximately \$56,000.
- 2) Federal grants receivable and the related revenue accounts were understated by \$148,000.
- 3) State receivables and the related revenue account were increased by about \$1.5 million.

- 4) Construction-in-progress was overstated by about \$610,000. This also caused depreciation expense to be understated by \$32,000.
- 5) Net pension liability was overstated by \$260,000, deferred outflows related to pensions was understated by \$397,000 and deferred inflows related to pensions was understated by \$661,000.
- 6) Other post-employment benefits liability and related expense was understated by \$193,000.

Action Taken: The District agrees with this finding. Turnover of staff in the fourth quarter of 2017 affected the year-end close process. Training of new staff has been ongoing since the February 2018 hire of the Director of Finance/CFO. In addition, the District will examine, update, and implement a review of fiscal policies and procedures relating to construction in process, pensions, and OPEB by September 2018.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

None

If the Federal Transit Administration has questions regarding this plan, please call Al McCoy, Director of Finance/CFO at 503-588-2424.

Sincerely yours,



Al McCoy
Director of Finance / CFO