

SALEM AREA MASS TRANSIT DISTRICT
MARION COUNTY, OREGON
FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION
Years Ended June 30, 2009 and 2008

SALEM AREA MASS TRANSIT DISTRICT
DISTRICT OFFICIALS
JUNE 30, 2009

Board of Directors

Term Expires

Marcia Kelley, President
396 Washington Street S
Salem, Oregon 97302

June 2011

Jerry Thompson, Vice-President
4930 State Street
Salem, Oregon 97301

June 2011

Shelley Hanson, Secretary
3634 Goldstone Ct., NE
Salem, OR 97305

June 2009

Hersch Sangster, Treasurer
832 Maine Avenue
Keizer, Oregon 97303

June 2009

Lloyd Chapman
1240 Hillendale Dr., SE
Salem, Oregon 97302

June 2009

Joe Green
2316 Broadview Ln NW
Salem, Oregon 97304

June 2011

Kate Tarter
3217 Northgate Ave., NE
Salem, OR 97301

June 2011

ADMINISTRATIVE

Allan Pollock, General Manager

555 Court Street NE, Suite 5230
Salem, Oregon 97301-3980

SALEM AREA MASS TRANSIT DISTRICT
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GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Salem Area Mass Transit District
Salem, Oregon

We have audited the balance sheets, and related statements of revenues, expenses and changes in net assets, and cash flows of Salem Area Mass Transit District (the District) as of and for the years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2009 and 2008, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2010 on our consideration of the District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

By  _____

Charles A. Swank, A Shareholder
January 25, 2010

Management's Discussion and Analysis

The management of Salem Area Mass Transit District (SAMTD or the District) presents this narrative overview and analysis to facilitate both a short-term and long-term analysis of the financial activities of the District for the fiscal year ended June 30, 2009. 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

This is the seventh year that the District has presented its financial statements under the new reporting model required by Government Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

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

Financial Highlights

The District's net assets at June 30, 2009, increased \$500 thousand from \$34.0 million to \$34.5 million, or 1.5 percent, from the prior year. This increase is due to increased federal assistance and capital contributions.

The District's total assets decreased from \$39.2 million to \$38.0 million.

The District's total liabilities decreased by \$1,675,667.

Operating revenue, increased \$470 thousand from \$2.8 million to \$3.2 million, or 17 percent, from the prior year. This change is due to increased fare collections. Non-operating revenues, net, increased \$1.1 million from the prior year. Operating expenses increased by \$3.2 million from the prior year.

	<i>June 30,</i>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
<i>Assets</i>			
Current and restricted assets	\$ 9,902,524	\$ 11,263,617	\$ 10,258,141
Capital assets, net of depreciation	28,131,954	27,949,586	23,614,440
	<u>\$ 38,034,478</u>	<u>\$ 39,213,203</u>	<u>\$ 33,872,581</u>
 <i>Liabilities</i>			
	\$ 3,568,378	\$ 5,244,045	\$ 3,061,560
 <i>Net Assets</i>			
Invested in capital assets	28,131,954	27,949,586	23,614,440
Restricted for capital projects and special transportation	4,727,824	4,543,842	1,281,412
Unrestricted	1,606,321	1,475,730	5,915,169
	<u>34,466,099</u>	<u>33,969,158</u>	<u>30,811,021</u>
 <i>Total Net Assets</i>	 <u>\$ 38,034,478</u>	 <u>\$ 39,213,203</u>	 <u>\$ 33,872,581</u>

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

Net assets restricted for capital projects and special transportation programs represents amounts restricted by State of Oregon statutes for use for special transportation programs, projects, and capital expenditures.

	<i>Year Ended June 30,</i>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 3,231,769	\$ 2,762,266	\$ 2,632,524
Non-operating revenues	25,300,853	24,145,653	22,212,871
 <i>Total Revenues</i>	 28,532,621	 26,907,919	 24,845,395
Total operating expenses	(33,017,297)	(29,805,952)	(27,315,017)
Capital contributions	4,981,617	6,056,170	3,952,315
Changes in net assets	496,941	3,158,137	1,482,693
 <i>Total Net Assets, beginning of year</i>	 <u>33,969,158</u>	 <u>30,811,021</u>	 <u>29,328,328</u>
 <i>Total Net Assets, end of year</i>	 <u>\$ 34,466,099</u>	 <u>\$ 33,969,158</u>	 <u>\$ 30,811,021</u>

The District's total revenue increased \$1.6 million, or 6 percent, during FY 2008-2009.

Capital Assets

At June 30, 2009, the District had invested \$47.2 million in capital assets (\$44.7 million at June 30, 2008). Accumulated depreciation at June 30, 2009 was \$19.1 million (\$16.8 million at June 30, 2008).

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 97301-3736

SALEM AREA MASS TRANSIT DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
<i>Current Assets</i>		
Cash and investments	\$ 1,081,890	\$ 1,094,427
Receivables		
Property tax	633,518	525,800
Miscellaneous	1,921,144	2,053,345
Prepaid expenses	102,334	198,949
Inventories	689,602	837,598
	<hr/>	<hr/>
<i>Total Current Assets</i>	4,428,488	4,710,119
	<hr/>	<hr/>
<i>Restricted Assets</i>		
Cash and investments	251,328	1,561,157
Federal grants receivable	4,875,526	4,727,070
State grants receivable	347,181	265,271
	<hr/>	<hr/>
<i>Total Restricted Assets</i>	5,474,036	6,553,498
	<hr/>	<hr/>
<i>Capital Assets</i>		
Land	242,394	242,394
Buildings	18,873,370	15,525,655
Buses and equipment	27,422,692	27,323,423
Construction in progress	682,152	1,624,875
	<hr/>	<hr/>
	47,220,608	44,716,347
Less accumulated depreciation	(19,088,654)	(16,766,761)
	<hr/>	<hr/>
<i>Total Capital Assets</i>	28,131,954	27,949,586
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 38,034,478</u>	<u>\$ 39,213,203</u>

	<u>2009</u>	<u>2008</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 144,345	\$ 250,564
Accrued payroll liabilities	1,312,209	1,855,819
Accrued compensated absences	958,680	985,882
Deferred revenue	-	142,124
Net OPEB liability	406,933	-
<i>Total Current Liabilities</i>	2,822,167	3,234,389
Liabilities (Payable From Restricted Assets)		
Accounts payable	746,212	2,009,656
<i>Total Liabilities</i>	3,568,378	5,244,045
Net Assets		
Investment in capital assets	28,131,954	27,949,586
Restricted for capital projects and special transportation	4,727,824	4,543,842
Unrestricted	1,606,321	1,475,730
<i>Total Net Assets</i>	34,466,099	33,969,158
<i>Total Liabilities and Net Assets</i>	\$ 38,034,478	\$ 39,213,203

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

SALEM AREA MASS TRANSIT DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Passenger fares	\$ 3,231,769	\$ 2,762,266
OPERATING EXPENSES		
Personal services	14,351,777	14,524,212
Materials and services	15,770,114	12,769,167
Depreciation	2,459,175	2,512,574
OPEB expense	406,933	-
<i>Total Operating Expenses</i>	<u>32,987,998</u>	<u>29,805,952</u>
OPERATING LOSS	(29,756,230)	(27,043,686)
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	9,076,275	8,566,026
State assistance	6,286,707	5,029,477
Federal assistance	9,173,937	9,488,576
Investment income	111,844	265,859
Other revenues	652,090	795,715
Other expenses	(29,299)	-
<i>Total Non-operating Revenues</i>	<u>25,271,554</u>	<u>24,145,654</u>
CAPITAL CONTRIBUTIONS	<u>4,981,617</u>	<u>6,056,170</u>
CHANGE IN NET ASSETS	496,941	3,158,137
TOTAL NET ASSETS, Beginning of year	<u>33,969,158</u>	<u>30,811,021</u>
TOTAL NET ASSETS, End of year	<u>\$ 34,466,099</u>	<u>\$ 33,969,158</u>

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

SALEM AREA MASS TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for services	\$ 3,221,846	\$ 3,310,504
Cash paid to suppliers for goods and services	(16,895,167)	(11,180,101)
Cash paid to employees for services	(14,922,589)	(14,079,617)
	<hr/>	<hr/>
<i>Net cash used for operating activities</i>	(28,595,909)	(21,949,214)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received	8,968,558	8,494,648
State assistance received	6,204,796	5,305,500
Federal Assistance received	9,025,480	5,217,060
Other nonoperating revenues	622,790	795,715
	<hr/>	<hr/>
<i>Net cash provided by noncapital financing activities</i>	24,821,625	19,812,923
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Federal assistance received	4,981,617	5,649,969
Acquisition of capital assets	(2,641,543)	(6,847,720)
	<hr/>	<hr/>
<i>Net cash provided by (used for) capital financing activities</i>	2,340,074	(1,197,751)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	111,844	265,859
	<hr/>	<hr/>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,322,366)	(3,068,183)
CASH AND INVESTMENTS, Beginning of year	2,655,584	5,723,767
	<hr/>	<hr/>
CASH AND INVESTMENTS, End of year	<u>\$ 1,333,218</u>	<u>\$ 2,655,584</u>

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating loss	\$ (29,756,230)	\$ (27,043,686)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</i>		
Depreciation	2,459,175	2,512,574
OPEB expense	406,933	-
<i>Changes in operating assets and liabilities:</i>		
(Increase) decrease in accounts receivable	132,202	548,238
(Increase) decrease in prepaid expenses	96,614	(83,454)
(Increase) decrease in inventories	147,996	(65,371)
Increase (decrease) in accounts payable	(1,369,664)	1,627,631
Increase (decrease) in payroll liabilities	(543,610)	553,977
Increase (decrease) in compensated absences payable	(27,202)	(24,697)
Increase (decrease) in deferred revenue	(142,124)	25,574
<i>Net cash used for operating activities</i>	<u>\$ (28,595,909)</u>	<u>\$ (21,949,214)</u>

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

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Salem Area Mass Transit District (SAMTD) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

The Financial Reporting Entity

The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (1) the ability to impose will by the primary government, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the above criteria, the District does not have any component units that require inclusion in the financial statements. Conversely, the District is not a component unit of another government.

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.

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

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

The District, under the guidance of Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Accordingly, the accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to reporting proprietary activity.

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Revenue Recognition

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

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

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

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

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

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

Restricted Assets

Restricted assets consist of assets restricted for federal capital grant programs and State of Oregon special transportation programs.

Cash and Investments

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

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

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

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Expenses

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

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

Capital Assets

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

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

Revenue rolling stock is depreciated using an eight to twelve year life as suggested by the U.S. Government Federal Transit Administration (FTA). Shelters, stations, and buildings have estimated useful lives of ten to forty years. Useful lives for furniture and other equipment range from three to ten years.

Vested Compensated Absences

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 balance sheet and recorded as an expense when earned.

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

Retirement Plans

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

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: investment in capital assets, net of related liability; restricted net assets; and unrestricted net assets.

Investment in capital assets, net of related liabilities, consists of all capital assets, net of accumulated depreciation and reduced by outstanding liabilities that are attributable to the acquisition, construction and improvement of those assets, restricted cash and investments are excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted consists of all other net assets not included in the above categories.

Restricted Resources

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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.

Presentation of Prior Year Balances

The prior year amounts on the basic financial statements were reclassified to match presentation changes made in the current year.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

General Fund

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

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Capital Improvement Fund

This fund accounts for major capital acquisitions and projects. The principal revenue sources are capital grants from the Federal Transportation 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 and State special transportation formula grants and transfers from the General Fund.

Facility Maintenance Fund

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

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

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

The Board of Directors, by resolution, may amend the budget as originally adopted.

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

CASH AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds, except for restricted cash and investments. Each fund type's portion of this pool is displayed as part of "cash and investments." At June 30, 2009 and 2008 the carrying value of cash and investments and fair value are approximately equal. Cash and investments are comprised of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Cash		
Cash on hand	\$ 3,446	\$ 5,430
Deposits with financial institutions	59,618	278,256
Investments		
Local Government Investment Pool	1,270,155	2,371,898
	<u>\$ 1,333,218</u>	<u>\$ 2,655,584</u>
Unrestricted cash and investments	\$ 1,081,890	\$ 902,482
Restricted cash and investments	251,328	1,753,102
	<u>\$ 1,333,218</u>	<u>\$ 2,655,584</u>

Deposits

At year end, the book balance of the District's bank deposits (checking accounts) was \$59,617 and \$278,256 and the bank balance was \$1,510,666 and \$430,553 respectively. The difference is due to transactions in process. Of these deposits, \$250,000 was covered by federal depository insurance. The remaining amount is collateralized in accordance with Oregon Revised Statutes.

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund, of which the Local Government Investment Pool 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, 2009 and 2008, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool 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.

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

CASH AND INVESTMENTS (Continued)

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments, specifically by maintaining funds in the Local Government Investment Pool.

Custodial Credit 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 Local Government Investment Pool.

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.

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

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>
2009			
<i>Restricted for Operating Capital</i>			
Cash and investments	\$ 195,801	-	\$ 195,801
Federal grants receivable	4,617,024	(154,895)	4,462,129
State grants receivable	-	(120,236)	(120,236)
<i>Total Restricted for Operating Capital</i>	<u>4,812,825</u>	<u>(275,130)</u>	<u>4,537,695</u>
<i>Restricted for Special Transportation</i>			
Cash and investments	55,527	-	55,527
Federal grants receivable	258,503	-	258,503
State grants receivable	347,181	(471,081)	(123,900)
<i>Total Restricted for Special Transportation</i>	<u>661,211</u>	<u>(471,081)</u>	<u>190,130</u>
	<u>\$ 5,474,036</u>	<u>\$ (746,212)</u>	<u>\$ 4,727,824</u>
2008			
<i>Restricted for Operating Capital</i>			
Cash and investments	\$ 39,662	-	\$ 39,662
Federal grants receivable	4,727,070	(698,774)	4,028,296
<i>Total Restricted for Operating Capital</i>	<u>4,766,732</u>	<u>(698,774)</u>	<u>4,067,958</u>
<i>Restricted for Special Transportation</i>			
Cash and investments	1,521,495	-	1,521,495
State grants receivable	265,271	(1,310,882)	(1,045,611)
<i>Total Restricted for Special Transportation</i>	<u>1,786,766</u>	<u>(1,310,882)</u>	<u>475,884</u>
	<u>\$ 6,553,498</u>	<u>\$ (2,009,656)</u>	<u>\$ 4,543,842</u>

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2009 are as follows:

	<i>Balance June 30, 2008</i>	<i>Additions</i>	<i>Transfers</i>	<i>Retirements</i>	<i>Balance June 30, 2009</i>
Land	\$ 242,394	\$ -	\$ -	\$ -	\$ 242,394
Buildings	15,525,655	1,962,157	1,385,558	-	18,873,370
Buses	24,175,253	140,925	-	(137,281)	24,178,897
Equipment	3,148,170	95,625	-	-	3,243,795
Work in progress	1,624,875	442,836	(1,385,558)	-	682,153
	<hr/> 44,716,347	<hr/> 2,641,543	<hr/> -	<hr/> (137,281)	<hr/> 47,220,609
Accumulated depreciation	(16,766,761)	(2,459,175)	-	137,281	(19,088,655)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Total</i>	<i>\$ 27,949,586</i>	<i>\$ 182,368</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ 28,131,954</i>

The changes in capital assets for the fiscal year ended June 30, 2008 are as follows:

	<i>Balance June 30, 2007</i>	<i>Additions</i>	<i>Transfers</i>	<i>Retirements</i>	<i>Balance June 30, 2008</i>
Land and buildings	\$ 15,768,049	\$ -	\$ -	\$ -	\$ 15,768,049
Buses	21,169,283	5,414,506	-	(2,408,536)	24,175,253
Equipment	3,087,709	60,461	-	-	3,148,170
Work in progress	252,122	1,372,753	-	-	1,624,875
	<hr/> 40,277,163	<hr/> 6,847,720	<hr/> -	<hr/> (2,408,536)	<hr/> 44,716,347
Accumulated depreciation	(16,662,723)	(2,512,574)	-	2,408,536	(16,766,761)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Total</i>	<i>\$ 23,614,440</i>	<i>\$ 4,335,146</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ 27,949,586</i>

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

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

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.

Defined Benefit Plans

The District provides pension benefits through two single-employer defined benefit pension plans. In a defined benefit plan, benefits are determined using benefit formulas which take into account actuarial information. The plans were effective January 1, 2002 and are administered by an outside organization.

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 contributions were \$837,223 and \$591,481, for the bargaining unit and \$270,653 and \$224,480, for the non-bargaining unit for the years ended June 30, 2009 and 2008 respectively.

The benefit payable at a participant's normal retirement date will be equal to the excess of 1.64% times the participant's final average salary times the participants benefit credits for the non-bargaining employees or 1.64% for the bargaining unit employees over the amount which is the actuarial equivalent of the participant's account balance in the Salem Area Mass Transit District Non-Bargaining Unit Retirement Plan (Defined Contribution Plan) as of termination of employment.

The annual required contributions were determined as part of the July 1, 2006 and 2008 actuarial valuations. The asset valuation method used to determine the actuarial value of assets was the market value method. The actuarial cost method used to determine liabilities was the entry age normal cost method. The actuarial assumptions included a 7.00% investment return (net of investment expenses), and projected salary increases ranging from 8.25% to 4.0% per year. The assumptions did not include post-retirement benefit increases, as the Plan does not provide such benefits. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a period of 12 years.

Defined Contribution Plan

The District provides pension benefits through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered by an outside organization.

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

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

EMPLOYEE RETIREMENT PLANS (Continued)

Defined Contribution Plan (Continued)

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% of employee's gross salary for non-bargaining unit employees. Covered payroll, total payroll and required contributions for 2009, 2008, and 2007 were:

	<u>Covered Payroll</u>	<u>Total Payroll</u>	<u>Required Contributions</u>
2009	\$ 3,330,483	\$ 9,178,982	\$ 330,048
2008	3,187,180	9,010,836	318,718
2007	3,578,180	9,746,676	357,818

Deferred Compensation Plan

The District offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their compensation until future years.

At June 30, 2009 and 2008, deferred compensation carried assets of \$4,212,805 and \$4,670,846 respectively at fair value, these are attributable to the accumulation of amounts deferred since the inception of the plan and investment earnings thereon, less participant withdrawals. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets and liabilities of the District.

The District also offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403B. The plan permits employees to defer a portion of their compensation until future years. There are separate plans for the bargaining and non-bargaining groups.

At June 30, 2009 and 2008, deferred compensation carried assets of \$4,838,369 and \$5,627,845 at fair value, these are attributable to the accumulation of amounts deferred since the inception of the plan and investment earnings thereon, less participant withdrawals. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets and liabilities of the District.

Other Post-employment Benefits

Plan Description

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

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

EMPLOYEE RETIREMENT PLANS (Continued)

Other Post-employment Benefits (Continued)

The District's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (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 claims 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 stand alone financial report is generated for the plan.

At the July 1, 2008 actuarial valuation date, there were 12 retirees receiving benefits under the plan and 195 active employees who meet the criteria, but have not yet retired.

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.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the guidelines of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year ending June 30, 2009, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 598,005
Interest earned on net OPEB obligation	-
Adjustment to the annual required contribution	-
	<hr/>
Annual OPEB cost (expense)	598,005
Estimated benefit payments	191,072
	<hr/>
Increase in net OPEB obligation	406,933
Net OPEB obligation, beginning of year	-
	<hr/>
Net OPEB obligation, end of year	<u>\$ 406,933</u>

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

EMPLOYEE RETIREMENT PLANS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's percentage of annual OPEB cost contributed to the plan for fiscal year ending June 30, 2009 was 32.0%.

Information for preceding years is not presented as fiscal year ended June 30, 2009 is the year of implementation of GASB 45.

Funding Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$3,846,335, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,846,335. The annual payroll of active employees covered by the plan (covered payroll) was \$9,389,595 and the ratio of the UAAL to the covered payroll was 41%.

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.

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.

Actuarial Methods and Assumptions (Continued)

The July 1, 2008 actuarial valuation used the projected unit credit cost method, an assumed 4.5% rate of return, and a healthcare cost inflation trend of 10.3% premiums for fiscal year 2009, 8.8% after the second year, 7.2% after the third year, 6.4% for the 4th year, 5.9% for the 5th year and slowly decreasing to an ultimate rate of 4.9% in 2050 and beyond. Retirement and withdrawal rates are the same as those used by the District in the actuarial valuations of retirement benefits. The discount rate is selected based on the expected long-term annual investment returns for Oregon's Local Government Investment Pool and comparable investment vehicles. The unfunded actuarially accrued liability is amortized as a level percent of payroll over 15 years

SALEM AREA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2009 AND 2008

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2009 consisted of the following:

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

<i>Transfer to:</i>	<i>Transfer from:</i>				<i>Total</i>
	<i>General</i>	<i>Capital Improvements</i>	<i>Special Transportation</i>	<i>Reserve Operations</i>	
General	\$ -	\$ -	\$ 2,000	\$ -	\$ 2,000
Capital Improvement	681,213	-	-	-	681,213
Special Transportation	2,912,056	-	-	-	2,912,056
	<u>\$ 3,593,269</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 3,595,269</u>

CONTINGENCIES

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 for any of the past three years.

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.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Oregon law prohibits expenditures of a fund in excess of Board of Directors approved appropriations. The District's Board of Directors approves appropriations by major division for all funds.

Actual expenditures in the following funds exceeded budgeted disbursements this year, as follows:

General Fund	
Board of Directors	\$ 65,541
Transportation Services	26,237
Special Transportation Fund	
Travel Trainer	7,248

Because of these overexpenditures, the District may not be in compliance with ORS 294.435.

SUPPLEMENTARY INFORMATION

SALEM AREA MASS TRANSIT DISTRICT**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Local Revenue				
Current tax revenue	\$ 8,715,000	\$ 8,715,000	\$ 8,767,910	\$ 52,910
Prior tax revenue	210,000	210,000	200,647	(9,353)
Passenger fares - cash	1,288,564	1,288,564	1,357,912	69,348
Passenger fares - passes	991,631	991,631	1,388,779	397,148
State employee bus pass	117,600	117,600	139,994	22,394
State shuttle service	275,873	275,873	275,873	-
Special pass programs	42,124	42,124	69,211	27,087
Courthouse Square parking	22,894	22,894	29,465	6,571
Investment income	52,500	52,500	107,989	55,489
Bus advertising	197,925	197,925	193,000	(4,925)
Energy Tax Credit	69,000	69,000	325,290	256,290
Miscellaneous	36,750	36,750	365,036	328,286
Rental income	65,747	65,747	49,611	(16,136)
<i>Total Local Revenue</i>	<i>12,085,608</i>	<i>12,085,608</i>	<i>13,270,717</i>	<i>1,185,109</i>
State Revenue				
Public transit - operating	4,538,100	4,538,100	4,565,303	27,203
<i>Total State Revenue</i>	<i>4,538,100</i>	<i>4,538,100</i>	<i>4,565,303</i>	<i>27,203</i>
Federal Revenue				
FTA Section 9 - operating	3,875,796	3,875,796	3,861,777	(14,019)
FTA Section 8 - planning	80,792	80,792	93,426	12,634
FEMA	-	-	29,226	29,226
FTA Section 3037	225,000	225,000	250,000	25,000
Rideshare/Vanpool	233,914	233,914	365,639	131,725
<i>Total Federal Revenue</i>	<i>4,415,502</i>	<i>4,415,502</i>	<i>4,600,069</i>	<i>184,567</i>
<i>Total Revenues</i>	<i>21,039,210</i>	<i>21,039,210</i>	<i>22,436,089</i>	<i>1,396,879</i>
EXPENDITURES				
Operations Department-Direct and Support				
Personal services - direct	8,540,958	8,540,958	8,402,940	138,018
Personal services - support	394,921	394,921	391,027	3,894
Materials and services	128,375	128,375	76,058	52,317
<i>Total Operations Department</i>	<i>9,064,254</i>	<i>9,064,254</i>	<i>8,870,025</i>	<i>194,229</i>

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<i>EXPENDITURES (Continued)</i>				
<i>General Manager's Office</i>				
Personal services	\$ 261,798	\$ 261,798	\$ 249,868	\$ 11,930
Materials and services	19,640	19,640	21,811	(2,171)
<i>Total General Manager's Office</i>	281,438	281,438	271,679	9,759
<i>Board of Directors/Budget Committee</i>				
Materials and services	57,500	57,500	123,041	(65,541)
<i>Total Board of Directors/Budget Committee</i>	57,500	57,500	123,041	(65,541)
<i>Human Resources</i>				
Personal services	566,770	566,770	499,736	67,034
Materials and services	143,050	143,050	99,803	43,247
<i>Total Human Resources</i>	709,820	709,820	599,539	110,281
<i>Finance</i>				
Personal services	639,983	639,983	634,268	5,714
Materials and services	91,435	91,435	68,968	22,467
<i>Total Business Services</i>	731,418	731,418	703,237	28,181
<i>Transportation Development</i>				
Personal services	430,811	430,811	367,066	63,745
Materials and services	196,900	196,900	126,717	70,183
<i>Total Transportation Development</i>	627,711	627,711	493,782	133,929
<i>Transportation Services</i>				
Personal services	169,234	169,234	107,378	61,856
Materials and services	157,680	157,680	245,773	(88,093)
<i>Total Transportation Services</i>	326,914	326,914	353,151	(26,237)
<i>Maintenance Department</i>				
Personal services	2,284,261	2,284,261	1,939,593	344,668
Materials and services	2,504,630	2,504,630	2,160,360	344,270
<i>Total Maintenance Department</i>	4,788,891	4,788,891	4,099,953	688,938

SALEM AREA MASS TRANSIT DISTRICT**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS - GENERAL FUND (Continued)****YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
EXPENDITURES (Continued)				
Customer Services Department				
Personal services	\$ 480,438	\$ 480,438	\$ 445,975	\$ 34,463
Materials and services	4,800	4,800	4,226	574
<i>Total Customer Services Department</i>	485,238	485,238	450,201	35,037
General Services				
Personal services	100,000	100,000	80,272	19,728
Materials and services	644,000	644,000	510,803	133,197
<i>Total General Services</i>	744,000	744,000	591,074	152,925
Facilities				
Personal services	476,810	476,810	409,499	67,311
Materials and services	344,426	344,426	290,525	53,901
<i>Total Facilities</i>	821,236	821,236	700,024	121,212
Information Systems				
Personal services	227,655	227,655	200,122	27,533
Materials and services	114,260	114,260	95,480	18,780
<i>Total Information Systems</i>	341,915	341,915	295,601	46,314
Other Payments				
Council of Governments	27,368	27,368	29,300	(1,932)
Contingency	750,000	750,000	-	750,000
<i>Total Other</i>	777,368	777,368	29,300	748,068
<i>Total Expenditures</i>	19,757,703	19,757,703	17,580,608	2,177,095

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES OVER (UNDER)				
EXPENDITURES	\$ 1,281,507	\$ 1,281,507	\$ 4,855,481	\$ 3,573,974
OTHER FINANCING SOURCES (USES)				
Transfers in	197,000	197,000	2,000	(195,000)
Transfers out	(4,754,207)	(4,754,207)	(3,593,269)	1,160,938
<i>Total Other Financing Sources (Uses)</i>	<i>(4,557,207)</i>	<i>(4,557,207)</i>	<i>(3,591,270)</i>	<i>965,937</i>
NET CHANGE IN FUND BALANCE	(3,275,700)	(3,275,700)	1,264,212	4,539,911
FUND BALANCE, Beginning of year	3,869,733	3,869,733	4,211,273	341,540
FUND BALANCE, End of year	\$ 594,033	\$ 594,033	\$ 5,475,485	\$ 4,881,451

SALEM AREA MASS TRANSIT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS - CAPITAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2009

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Local Revenue				
Other Income-Match	\$ -	\$ -	\$ 14,978	\$ 14,978
Bike/Pedestrian	-	-	181,899	181,899
<i>Total Local Revenue</i>	-	-	196,877	196,877
State Revenue				
Connect Oregon	323,492	323,492	54,507	(268,985)
State New Freedom	-	-	60,000	60,000
State Discretionary - STG	-	-	107,676	107,676
<i>Total State Revenue</i>	323,492	323,492	222,183	(101,309)
Federal Revenue				
FTA Section 5307	570,290	570,290	2,949	(567,341)
FTA Section STP	1,643,345	1,643,345	-	(1,643,345)
FTA Section 5317	-	-	211,117	211,117
FTA Section 5316	-	-	86,792	86,792
FTA Section 5309	2,303,911	2,303,911	1,635,135	(668,776)
<i>Total Federal Revenue</i>	4,517,546	4,517,546	1,935,993	(2,581,553)
<i>Total Revenues</i>	4,841,038	4,841,038	2,355,053	(2,485,985)
EXPENDITURES				
Capital Outlay				
Office Equipment/Software	107,195	107,195	757,480	(650,285)
Facilities Improvement/Expansion	2,492,767	2,492,767	1,995,157	497,610
Buses and equipment	693,000	693,000	140,926	552,074
Transit Centers/Other Capital	1,447,165	1,447,165	124,492	1,322,673
<i>Total Expenditures</i>	4,740,127	4,740,127	3,018,055	1,722,072
REVENUES OVER (UNDER) EXPENDITURES	100,911	100,911	(663,002)	(763,913)
OTHER FINANCING SOURCES (USES)				
Transfers in	792,344	792,344	681,213	(111,131)
NET CHANGE IN FUND BALANCE	893,255	893,255	18,211	(875,044)
FUND BALANCE, Beginning of year	-	-	(4,190)	(4,190)
FUND BALANCE, End of year	\$ 893,255	\$ 893,255	\$ 14,021	\$ (879,234)

SALEM AREA MASS TRANSIT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS - SPECIAL TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2009

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
State Revenue				
Special transportation fund	\$ 628,931	\$ 628,931	\$ 655,017	\$ 26,086
STG	85,452	85,452	83,105	(2,347)
<i>Total State Revenue</i>	714,383	714,383	738,122	23,739
Federal Revenue				
DMAP	4,991,561	4,991,561	3,651,370	(1,340,191)
DD53 Cherrylift	666,667	666,667	741,522	74,855
FTA Section 5310	623,962	623,962	396,163	(227,799)
FTA Section 5311	330,993	330,993	442,804	111,811
<i>Total Federal Revenue</i>	6,613,183	6,613,183	5,231,859	(1,381,324)
<i>Total Revenues</i>	7,327,566	7,327,566	5,969,981	(1,357,585)
EXPENDITURES				
Travel Trainer				
Personal services	78,123	78,123	99,590	(21,467)
Materials and services	17,109	17,109	2,890	14,219
Contracted Transportation				
Materials and services	1,392,994	1,392,994	1,237,971	155,023
CherryLift and Special Transportation				
Personal services	265,474	265,474	192,105	73,369
Materials and services	3,798,928	3,798,928	3,264,961	533,967
CARTS Planning and Development				
Personal services	114,083	114,083	109,815	4,268
Materials and services	1,196	1,196	3,289	(2,093)
DMAP Brokerage				
Personal services	548,559	548,559	222,523	326,036
Materials and services	4,443,003	4,443,003	4,419,384	23,619
<i>Total Expenditures</i>	10,659,469	10,659,469	9,552,529	1,106,942

REVENUES OVER (UNDER)				
EXPENDITURES	\$ (3,331,903)	\$ (3,331,903)	\$ (3,582,546)	\$ (2,464,526)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,333,900	3,333,900	2,912,056	(421,844)
Transfers out	(2,000)	(2,000)	(2,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>3,331,900</u>	<u>3,331,900</u>	<u>2,910,056</u>	<u>(421,844)</u>
NET CHANGE IN FUND BALANCE	(3)	(3)	(672,491)	(672,488)
FUND BALANCE, Beginning of year	-	-	1,094,743	1,094,743
FUND BALANCE, End of year	<u>\$ (3)</u>	<u>\$ (3)</u>	<u>\$ 422,252</u>	<u>\$ 422,255</u>

SALEM AREA MASS TRANSIT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS - FACILITY MAINTENANCE FUND
YEAR ENDED JUNE 30, 2009

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Local Revenue				
Earnings on investments	\$ 10,093	\$ 10,093	\$ 3,856	\$ (6,237)
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	10,093	10,093	3,856	(6,237)
FUND BALANCE, Beginning of year	201,865	201,865	191,946	(9,919)
FUND BALANCE, End of year	\$ 211,958	\$ 211,958	\$ 195,802	\$ (16,156)

SALEM AREA MASS TRANSIT DISTRICT
RECONCILIATIONS
YEARS ENDED JUNE 30, 2009 AND 2008

RECONCILIATION OF FUND BALANCES - BUDGETARY BASIS - TO THE
STATEMENTS OF NET ASSETS
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<i>Fund Balance Budgetary Basis:</i>		
General fund	\$ 5,475,485	\$ 4,211,273
Special transportation fund	422,252	1,094,743
Capital improvement fund	14,021	(4,190)
Facility maintenance fund	195,802	191,946
<i>GAAP Basis Adjustments:</i>		
Capital assets	47,220,608	44,716,347
Accumulated depreciation on capital assets	(19,088,654)	(16,766,761)
Property taxes receivable	633,518	525,800
OPEB liability	(406,933)	-
<i>Equity GAAP Basis</i>	<u>\$ 34,466,099</u>	<u>\$ 33,969,158</u>

RECONCILIATION OF THE SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS - TO THE STATEMENTS
OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<i>Net Change in Fund Balance:</i>		
General fund	\$ 1,264,212	\$ 2,952,558
Special transportation fund	(672,491)	(1,048,592)
Capital projects fund	18,211	403,896
Facility maintenance fund	3,856	8,265
Reserve for operations fund	-	(3,507,562)
<i>GAAP Basis Adjustments:</i>		
Capitalized capital assets	2,641,543	6,847,720
Accumulated depreciation on capital assets	(2,459,175)	(2,512,574)
Property taxes recognized	107,718	14,426
OPEB expense	(406,933)	-
<i>Change in Net Assets</i>	<u>\$ 496,941</u>	<u>\$ 3,158,137</u>

SALEM AREA MASS TRANSIT DISTRICT
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED
YEAR ENDED JUNE 30, 2009

<i>Tax Year</i>	<i>Uncollected Balance July 1, 2008</i>	<i>Add to Rolls 2008-09 Levy</i>	<i>Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balance June 30, 2009</i>
2008-09	\$ -	\$ 9,308,022	\$ (250,984)	\$ (8,651,833)	\$ 405,205
2007-08	323,231	-	(4,684)	(185,256)	133,291
2006-07	104,090	-	(1,104)	(45,369)	57,617
2005-06	51,391	-	(634)	(30,938)	19,819
2004-05	22,760	-	(1,788)	(15,177)	5,795
2003-04	6,014	-	(251)	(1,392)	4,371
2002-03	5,137	-	(637)	(1,035)	3,465
Prior Years	13,177	-	(8,990)	(232)	3,955
Total	\$ 525,800	\$ 9,308,022	\$ (269,072)	\$ (8,931,232)	\$ 633,518

RECONCILIATION OF REVENUE

Cash collections by County Treasurer, above	\$ 8,931,232
Collections in lieu of property taxes and other adjustments, net	37,325
<i>Total Revenue (Budgetary Basis)</i>	<u>8,968,557</u>
Accrual of receivables	
June 30, 2008	(525,800)
June 30, 2009	633,518
<i>Total Revenue (GAAP Basis)</i>	<u>\$ 9,076,275</u>

SALEM AREA MASS TRANSIT DISTRICT
AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
YEAR ENDED JUNE 30, 2009

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are as follows.

We have audited the financial statements of Salem Area Mass Transit District (the District) as of and for the year ended June 30, 2009 and have issued our report thereon dated January 25, 2010. We conducted our audit 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.

Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We issued a letter to management on control deficiencies in internal control dated January 25, 2010.

Significant Accounting Policies

The significant accounting policies followed in preparing the District's financial statements are summarized in the notes to the basic financial statements.

Organization and Fund Structure

The organization and fund structure of the District are documented on the title page and in the notes to the basic financial statements.

SALEM AREA MASS TRANSIT DISTRICT
AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)
YEAR ENDED JUNE 30, 2009

Adequacy of Accounting Records

The District's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

Indebtedness

The District has no bonded indebtedness at June 30, 2009.

Adequacy of Collateral Securing Depository Balances

The District has complied with Oregon Revised Statutes Chapter 295 in relation to deposit accounts.

Investments

Our review of deposit and investment balances indicated that the District was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2009.

Budget Compliance

The District has complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2009, and the preparation and adoption of its budget for the year ending June 30, 2010, except as indicated below.

The District budgeted for an ending fund balance in the General, Special Transportation, Capital Improvements and Facility Maintenance funds but did not include the amounts on the LB-1 and LB-2 forms submitted to the State.

The District budgeted payments to an outside organization as a transfer out of the General Fund causing budgeted transfers in to not equal the budgeted transfers out.

The District did not report the beginning and ending fund balances for 06/07 and 07/08 on the budget detail sheets causing the resources to not equal requirements.

The District is required to publish two notices of 09/10 budget meeting in a general circulation newspaper between 5 and 30 days prior to the meeting. The second notice was published 3 days prior to the meeting which is not in compliance with the requirement.

See the notes to the financial statements for funds with expenditures in excess of the approved budgeted amounts.

Insurance Policies and Fidelity Bonds

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2009. We ascertained that such policies appeared to be in force.

SALEM AREA MASS TRANSIT

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)

YEAR ENDED JUNE 30, 2009

Public Contracting and Purchasing

Our review of the District's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279) indicated that the District was in compliance.

Programs Funded From Outside Sources and Reporting Requirements

We have reviewed the District's compliance with appropriate laws, rules, and regulations pertaining to material programs funded wholly or partially by other governmental agencies. The District is in compliance with the guidelines in all material aspects.

Highway Funds

The District does not receive funding from taxes on motor vehicle fuel.

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

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

By: 

Charles A. Swank, A Shareholder
January 25, 2010