

LANE TRANSIT DISTRICT Eugene, Oregon



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal years ended
June 30, 2014 and 2013



2013-2014 Comprehensive Annual Financial Report

Lane Transit District
Eugene, Oregon

For Fiscal Years Ended June 30, 2014 and 2013

Prepared by the Finance Department
Todd Lipkin, Finance Manager/CFO
Tom Schamber, Controller

**Comprehensive Annual Financial Report
June 30, 2014 and 2013**

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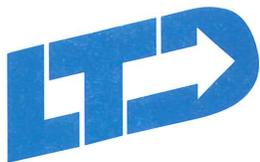
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INTRODUCTORY SECTION

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Lane Transit District

December 9, 2014

Board of Directors
Lane Transit District
P.O. Box 7070
Springfield, Oregon 97475-0470

It is our pleasure to submit to you the "Comprehensive Annual Financial Report" (CAFR) of the Lane Transit District for the fiscal year ended June 30, 2014.

Oregon Statutes require that Lane Transit District publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed, certified public accountants.

The accuracy of the District's financial statements and the completeness and fairness of their presentation is the responsibility of District management. The District maintains a system of internal accounting controls designed to provide a reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records can be relied upon to produce financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed benefits likely to be derived.

The District's financial statements were audited by Grove, Mueller & Swank, P.C., a firm of licensed, certified public accountants. The goal of this independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2014, 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 unqualified opinion that the District's basic financial statements for the fiscal year ended June 30, 2014, 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.

In addition to meeting the requirements set forth above, the independent audit also was designed to meet the special needs of federal grantor agencies as provided for in the Federal Single Audit Act and the Office of Management and Budget's (OMB) Circular A-133. These standards require the independent auditor's report not only on the fair presentation of the basic financial statements but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The results of the independent audit for the fiscal year ended June 30, 2014, indicated no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations. The independent auditor's reports, related specifically to the Single Audit and OMB Circular A-133, are contained in a separate report.

Management's Discussion and Analysis (MD&A) is located in the Financial Section immediately following the independent auditor's report and precedes the basic financial statements. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A.

District Overview

Lane Transit District (LTD) was established in 1970 under the laws of the State of Oregon that allowed the formation of transit districts as special taxing entities. The District began operating in the Eugene-Springfield area in 1970. LTD serves a population base of approximately 300,000, with a fleet of 111 buses that travel 3.5 million miles annually. Passenger boardings were approximately 11.2 million for FY14. In FY14, LTD provided more than 247,000 revenue hours of fixed-route service.

The boundaries of Lane Transit District fall entirely within Lane County, encompassing approximately 522 square miles. LTD serves the Eugene-Springfield metropolitan area; the incorporated cities of Coburg, Creswell, Cottage Grove, Lowell, Veneta, and Junction City; and the unincorporated area along Highway 126 between Springfield and the McKenzie Bridge Ranger Station.

LTD is governed by a Board of Directors composed of seven members, each appointed by the governor of Oregon. Each Board member represents a subdistrict of LTD's service area. The Board is responsible for development of District policies and hires and directs the activities of the general manager. The general manager, in turn, directs the daily activities of the District and is responsible for the overall management of the District and its employees.

The District is committed to the successful implementation of total fixed-route accessibility and the successful operation of a demand-response/paratransit service for persons unable to use the fixed-route system. All of LTD's fixed-route buses are equipped with wheelchair lifts or ramps. The District also provides comparable demand-response services for those persons who are unable to use the fixed-route system. In addition to the fixed-route and demand-response services, LTD also offers Point2point, a transportation management service that promotes the use of alternative modes to area residents, groups, and businesses.

This District was empowered by State Statutes to impose an excise tax on every employer equal to but not more than six tenths of one percent of the wages paid with respect to employment of individuals until the 2003 State Legislative Session. In that session, the legislature amended Oregon Revised Statutes 267 to allow for the gradual increase in the maximum tax rate allowed to seven tenths of one percent over a ten-year period if the Board of Directors adopts a finding of local economic recovery. The Board of Directors delayed consideration of a tax rate increase until Spring 2005, at which time the Board decided to implement a progressive rate increase on January 1, 2007, with the goal of attaining the new seven tenths of one percent maximum rate on January 1, 2014. The tax rate was increased by .0002 percent on January 1, 2007, and again on January 1, 2008, and by .0001 percent on every January 1 after that, reaching seven tenths of one percent on January 1, 2014.

The 2009 State Legislative Session amended ORS 267 to allow the two transit agencies that receive payroll tax receipts (TriMet in the Portland area and Lane Transit District) to again raise the tax rate for both employers and self-employed persons subject to the tax over a ten-year period. Again, the Board of Directors for each agency must adopt a finding of economic recovery. The new tax cap after the ten-year phased implementation is eight tenths of one percent. Because of the severity of the local economic

downturn that began in 2008 continues to produce high local unemployment, the Board has delayed consideration of this potential tax rate increase.

For financial planning and control, the District prepares and adopts an annual budget in accordance with Oregon Revised Statutes Chapters 294.305 through 294.565. The legally adopted budget is at the fund/object level for current expenditures, with separate appropriations established for the object level of capital projects, debt service, interfund transfers, and miscellaneous fiscal transactions. 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 supplementary information in this report.

Factors Affecting Financial Condition

Local Economy

LTD serves the Eugene-Springfield metropolitan area, with an estimated population of 300,000. In June 2014, total nonfarm employment in Lane County was 149,100 compared to 144,800 in June 2013, representing an increase of 4,300 jobs in the last year.

	June 2010	June 2011	June 2012	June 2013	June 2014
Civilian labor force	182,754	182,143	177,881	172,901	173,181
Unemployment	19,846	17,726	15,807	13,718	11,608
Unemployment rate	10.9%	9.7%	8.9%	7.9%	6.7%
Total employment	162,908	164,417	162,074	159,183	161,573
Total nonfarm employment	143,800	144,100	143,900	144,800	149,100
Percent annual change	0.0%	0.2%	-0.1%	0.6%	3.0%

Source: Oregon Employment Department

Since the economic downturn, with the unemployment rate reaching a peak of 13.5 percent in March 2009, jobs have slowly been returning; and the unemployment rate has fallen to 6.7 percent as of June 2014. This is slightly lower than the comparable rate of 6.8 percent for the State of Oregon but higher than the rate of 6.1 percent for the United States as a whole. The June 2014 unemployment rate was 1.2 percent lower than for June 2013.

Long-Range Financial Plan

Annually, as part of the budget process, the District updates the rolling ten-year Long-Range Financial Plan. The Plan is reviewed in detail in a separate schedule that combines operating revenue and expenditure projections with capital outlay requirements as outlined in the Capital Improvements Program (CIP).

Major assumptions for the Long-Range Financial Plan, revised for the FY15 budget process, included the following:

- Payroll and self-employment tax revenues were assumed to grow 5 percent annually. State-in-lieu revenues were assumed to grow 3 percent annually.
- The tax rate was assumed to increase by one tenth of one percent annually beginning on January 1, 2017, until reaching the new statutory maximum on January 1, 2026. As previously mentioned, the District has the authority to increase the payroll and self-employment tax rates to eight tenths of one percent over a ten-year period. The state-in-lieu tax rate is set by a separate statute and is assumed to remain constant.
- Total personnel services expenditure growth will be 5.4 percent based on the assumptions of a fully staffed administrative function, increases in the required contribution to retirement plans, and increases in medical insurance premiums. Total personnel services expenditure growth will be no more than 3.6 percent per year thereafter.
- Average fuel expenditures per gallon will be \$3.75 through FY15. Fuel price inflation will be 5 percent per year from FY16 through FY24.
- Materials and services costs, other than fuel, are expected to grow 2 percent annually. Risk management/insurance costs also are assumed to grow at 2 percent annually.
- Service levels are projected to increase 0.3 to 0.5 percent per year over the next ten years resulting from enhancements to existing routes, such as restoration of certain holiday service. In addition, service will be increased to meet demand created from the opening of the new state hospital and veterans' clinic in Junction City in FY16 and the implementation of West Eugene EmX Extension service in FY17.

Major Initiatives

The District has a number of major initiatives that will have a significant impact in FY15.

- The West Eugene EmX Extension will enter the construction phase, which will continue into FY17. The District's FY15 budget appropriated \$87.2 million to complete the project, which is funded entirely by federal and state grants.
- The RideSource Call Center is developing a major software upgrade that will integrate tasks currently performed by numerous individual software programs, some developed more than 20 years ago. The software will result in greater efficiencies in paratransit and brokerage services. Implementation is expected in June 2015.
- A new fare management solution is being pursued to provide our customers with additional fare purchase options, provide flexibility in managing the fare structure, and to make it easier for bus operators to validate fares. It is anticipated that the system will be functional by FY17.
- In a continuing effort to model environmental sustainability, the District is purchasing three additional hybrid-electric, articulated buses and ten hybrid-electric, 40-foot buses. These buses offer reduced emissions and lessen the District's exposure to volatile diesel fuel markets.

Other Issues

Award

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its "Comprehensive Annual Financial Report" (CAFR) for the year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a certificate, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such CAFRs must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The District has received this certificate for the past 18 years. The District believes its current report continues to conform to the Certificate of Achievement program requirements and is submitting it to the GFOA.

Acknowledgments

The timely preparation of the "Comprehensive Annual Financial Report" was made possible by the efforts of the entire staff of the Finance Department and Executive Office. The Finance Department appreciates and thanks all staff who assisted and contributed to the report's presentation. Staff also thanks the members of the Board of Directors for their interest and support in managing the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,


Ronald J. Kilcoyne
General Manager


Todd D. Lipkin
Finance Manager/Chief Financial Officer


Tom R. Schamber
Controller

LTD Board of Directors

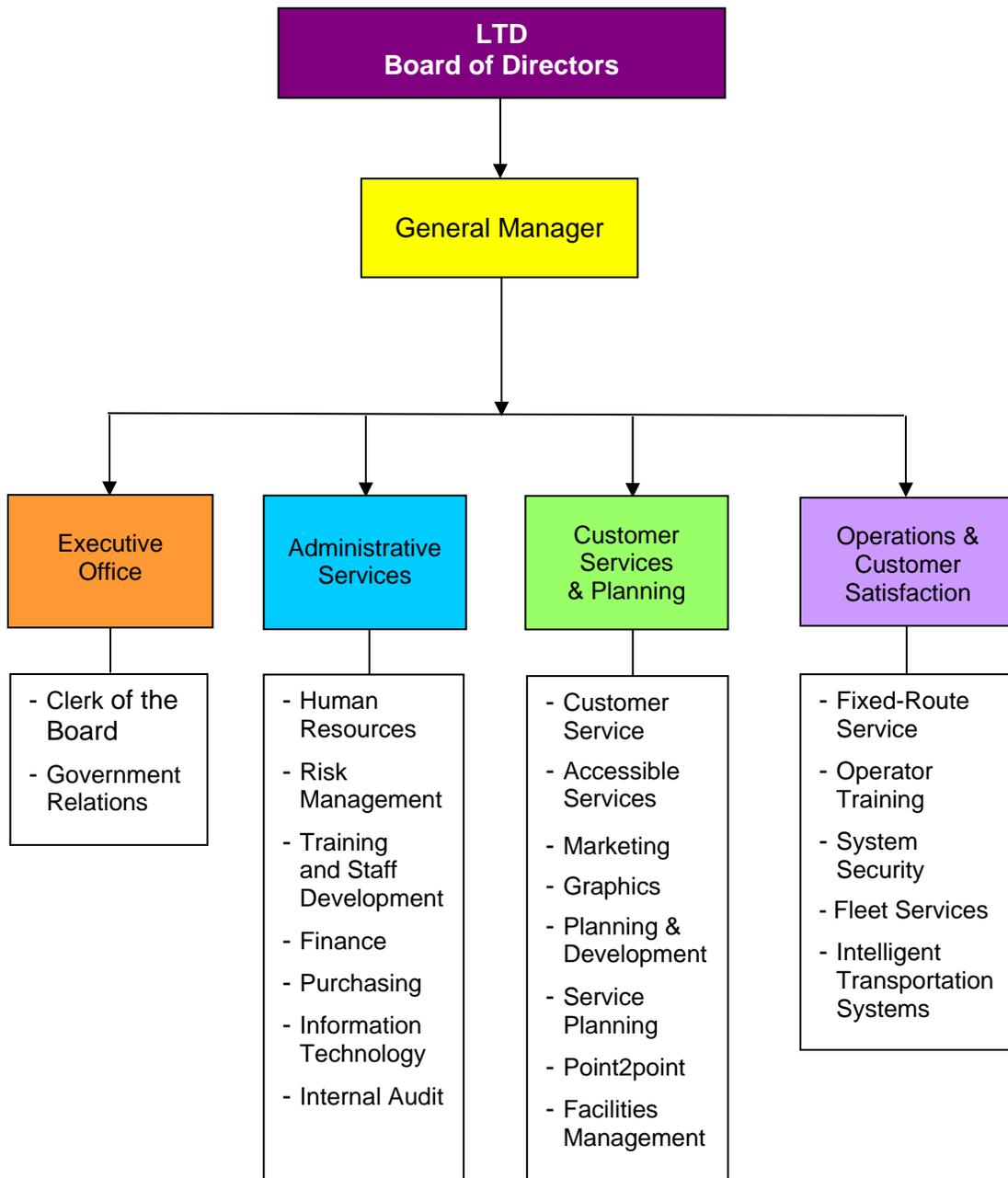
(Four-year Terms)

	<u>Sub-District</u>	<u>Term Expiration</u>
Angelynn Pierce	1	12/31/16
Carl Yeh, Vice President	2	12/31/16
Michael Dubick	3	12/31/14
Ed Necker, Treasurer	4	12/31/17
Gary Gillespie	5	12/31/17
Gary Wildish, President	6	12/31/14
Julie Grossman, Secretary	7	12/31/16

General Manager

Ronald J. Kilcoyne

LTD Organizational Chart





Government Finance Officers Association

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

Presented to

**Lane Transit District
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FINANCIAL SECTION

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GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lane Transit District
Springfield, 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 Lane Transit District (the District) as of and for the years ended June 30, 2014 and 2013, 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 opinions on these financial statements based on our audit. 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. 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 entity'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 Lane Transit District, as of June 30, 2014 and 2013, 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) (pages 16 through 22) and schedule of funding progress for pension and other postemployment benefits (page 55) 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 schedule of funding progress for pension and other postemployment benefits 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 Government Auditing Standards and Other Legal and Regulatory Requirements

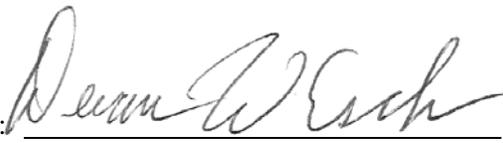
Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 9, 2014, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By: 

Devan W. Esch, A Shareholder
December 9, 2014

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) provides an overview of the Lane Transit District (LTD or the District) financial performance for the fiscal years ended June 30, 2014 and 2013. It is designed to assist the reader in focusing on significant financial issues, providing an overview of the District's financial activity, and identifying changes in the District's financial position.

This MD&A is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. As with other sections of the financial report, the information contained within the MD&A should be considered only as part of a greater whole. The reader of this MD&A should take time to read and evaluate all sections of this report, including the notes to financial statements and other supplementary information that is provided in addition to this MD&A. Additional information outside the scope of this analysis can be found in the Letter of Transmittal.

Overview of the Financial Statements

The District's financial statements consist of statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. These statements offer short- and long-term financial information about all the District's activities. The notes to the financial statements contain more detail on some of the information presented in the financial statements. Over time, increases or decreases in net position, as reported on the statements of net position, may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The District's financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles 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 timing of related cash flows.

The financial statements are found on pages 26-29 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within the financial statements. The notes to the financial statements are found on pages 30-52 of this report.

Financial Summary

Net Position

	District Total			Increase (decrease) 2014 - 2013	Percentage Change 2014 - 2013	Increase (decrease) 2013 - 2012	Percentage Change 2013 - 2012
	2014	2013	2012				
Assets							
Current assets	\$ 41,747,999	\$ 37,774,109	\$ 30,346,275	\$ 3,973,890	10.5%	\$ 7,427,834	24.5%
Capital assets, net of depreciation	113,337,904	114,242,299	122,613,663	(904,395)	-0.8%	(8,371,364)	-6.8%
Other assets	<u>1,145,922</u>	<u>1,068,705</u>	<u>1,006,960</u>	<u>77,217</u>	7.2%	<u>61,745</u>	NA
Total assets	<u>156,231,825</u>	<u>153,085,113</u>	<u>153,966,898</u>	<u>3,146,712</u>	2.1%	<u>(881,785)</u>	-0.6%
Liabilities							
Current liabilities	10,036,528	9,926,804	8,224,324	109,724	1.1%	1,702,480	20.7%
Noncurrent liabilities	<u>5,558,056</u>	<u>4,167,895</u>	<u>3,505,481</u>	<u>1,390,161</u>	33.4%	<u>662,414</u>	18.9%
Total liabilities	<u>15,594,584</u>	<u>14,094,699</u>	<u>11,729,805</u>	<u>1,499,885</u>	10.6%	<u>2,364,894</u>	20.2%
Net Position							
Investment in capital assets	113,337,904	114,242,299	122,613,660	(904,395)	-0.8%	(8,371,361)	-6.8%
Restricted for Accessible Services and Medicaid programs	398,255	436,632	491,306	(38,377)	-8.8%	(54,674)	-11.1%
Unrestricted	<u>26,901,082</u>	<u>24,311,483</u>	<u>19,132,127</u>	<u>2,589,599</u>	10.7%	<u>5,179,356</u>	27.1%
Total net position	<u>140,637,241</u>	<u>138,990,414</u>	<u>142,237,093</u>	<u>1,646,827</u>	1.2%	<u>(3,246,679)</u>	-2.3%
Total liabilities and net position	<u>\$ 156,231,825</u>	<u>\$ 153,085,113</u>	<u>\$ 153,966,898</u>	<u>\$ 3,146,712</u>	2.1%	<u>\$ (881,785)</u>	-0.6%

FY14

The District's total assets increased \$3.1 million (2.1 percent) in FY14, from \$153.1 million to \$156.2 million. Current assets increased \$4 million, predominately from increases to grants receivable. The net book value of capital assets decreased \$.9 million with the addition of \$9.6 million in new assets offset by depreciation expense of \$10.5 million.

The District's total liabilities increased \$1.5 million (10.6 percent) in FY14 from \$14.1 million to \$15.6 million. This is largely attributable to increases in accounts payable (\$1.8 million) and increases in net other post-employment benefits (OPEB) obligations (\$.6 million), offset by decreases in compensated absences payable (\$1 million) reflective of a large number of retirements in the year.

The net position of the District increased \$1.6 million (1.2 percent) in FY14, from \$139 million to \$140.6 million. Of this amount, \$26.9 million was unrestricted, an increase of \$2.6 million from the prior year. The remaining portion of net position is invested in capital assets or restricted for use in accessible services and Medicaid programs.

FY13

The District's total assets decreased \$.9 million (0.6 percent) in FY13, from \$154 million to \$153.1 million. Depreciation reduced the net book value of capital assets by \$10.6 million, while only \$2.2 million in new capital assets were added. Current assets increased \$7.4 million, largely from increases in cash from State of Oregon Lottery bond sales proceeds dedicated to the West Eugene EmX Extension (WEEE) project.

The District's total liabilities increased \$2.4 million (20.2 percent) in FY13, from \$11.7 million to \$14.1 million. This increase is due to increases in unearned revenue related to the State of Oregon grants received, but unearned awaiting project go ahead on the WEEE, and increases in net other post-employment benefits (OPEB) obligations.

The net position of the District decreased \$3.2 million (2.3 percent) in FY13, from \$142.2 million to \$139 million. Of this amount, \$24.3 million was unrestricted. This is an increase of \$5.2 million from the prior year and reflects a reduction of net investment in capital assets due to depreciation.

Changes in Net Position

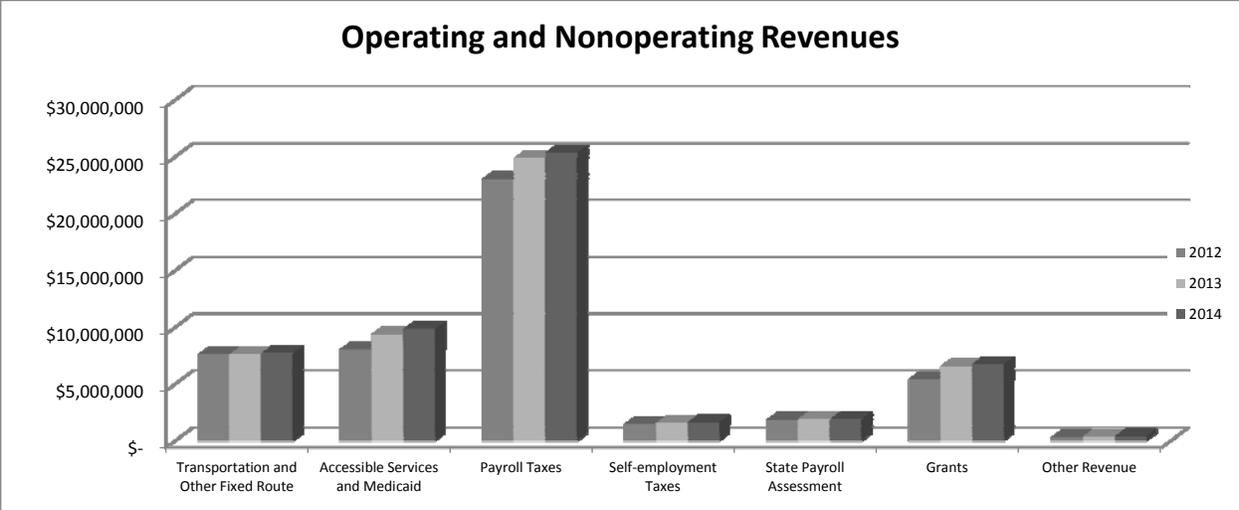
	District Totals			Increase (decrease) 2014 - 2013	Percentage Change 2014 - 2013	Increase (decrease) 2013 - 2012	Percentage Change 2013 - 2012
	2014	2013	2012				
Revenues							
Operating revenues							
Passenger Fares	\$ 6,948,609	\$ 6,914,308	\$ 6,738,397	\$ 34,301	0.5%	\$ 175,911	2.6%
Accessible Services and Medicaid	9,857,780	9,394,430	8,069,191	463,350	4.9%	1,325,239	16.4%
Advertising	460,000	287,500	281,500	172,500	60.0%	6,000	2.1%
Special services	324,531	439,110	588,943	(114,579)	-26.1%	(149,833)	-25.4%
Nonoperating revenues							
Employer payroll tax	25,374,737	24,891,777	23,047,471	482,960	1.9%	1,844,306	8.0%
Self-employment tax	1,647,329	1,576,826	1,507,575	70,503	4.5%	69,251	4.6%
State payroll assessment	1,914,665	1,941,063	1,869,854	(26,398)	-1.4%	71,209	3.8%
Federal assistance	5,993,929	6,563,936	5,431,231	(570,007)	-8.7%	1,132,705	20.9%
State assistance	723,888	-	1,992	723,888	N/A	(1,992)	-100.0%
Local assistance	48,301	13,700	17,500	34,601	252.6%	(3,800)	-21.7%
Interest	85,619	77,171	62,653	8,448	10.9%	14,518	23.2%
Facility rental and other nonoperating revenues	318,026	311,639	259,475	6,387	2.0%	52,164	20.1%
Gain on disposal of capital assets	13,052	7,635	2,434	5,417	70.9%	5,201	213.7%
Total operating and nonoperating revenues	53,710,466	52,419,095	47,878,216	1,291,371	2.5%	4,540,879	9.5%
Operating expenses							
Personnel services	26,615,534	26,666,847	25,367,616	(51,313)	-0.2%	1,299,231	5.1%
Materials and services	9,496,751	8,313,177	7,865,885	1,183,574	14.2%	447,292	5.7%
Insurance	1,125,978	833,689	1,177,848	292,289	35.1%	(344,159)	-29.2%
Accessible Services and Medicaid	12,314,118	10,841,746	9,965,985	1,472,372	13.6%	875,761	8.8%
Depreciation	10,519,936	10,561,286	10,169,031	(41,350)	-0.4%	392,255	3.9%
OPEB expense	555,778	614,905	586,592	(59,127)	-9.6%	28,313	4.8%
Total operating expenses	60,628,095	57,831,650	55,132,957	2,796,445	4.8%	2,698,693	4.9%
Loss before contributions	(6,917,629)	(5,412,555)	(7,254,741)	(1,505,074)	27.8%	1,842,186	-25.4%
Capital contributions	8,564,456	2,165,876	16,366,583	6,398,580	295.4%	(14,200,707)	-86.8%
Changes in net position	1,646,827	(3,246,679)	9,111,842	4,893,506	-150.7%	(12,358,521)	-135.6%
Total net position -- beginning of period	138,990,414	142,237,093	133,125,251	(3,246,679)	-2.3%	9,111,842	6.8%
Total net position -- end of period	\$ 140,637,241	\$ 138,990,414	\$ 142,237,093	\$ 1,646,827	1.2%	\$ (3,246,679)	-2.3%

FY14

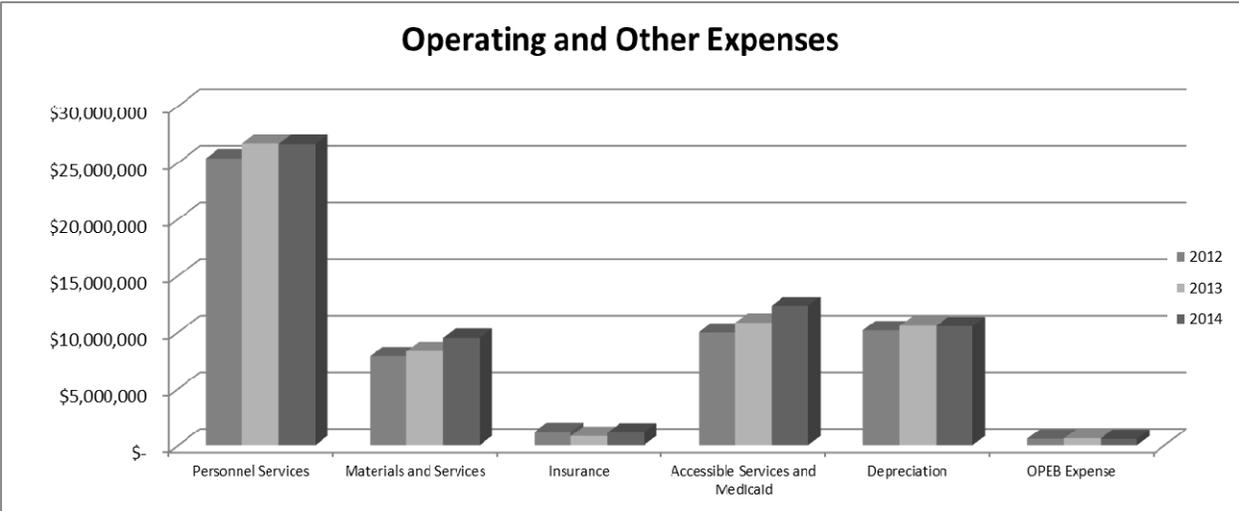
The District's net position increased \$1.6 million in FY14 to \$140.6 million. Total revenues were up \$1.3 million (2.5 percent), offset by an increase in total expenses of \$2.8 million (4.8 percent). Capital contributions of \$8.6 million also contributed to the favorable change in net position.

Operating revenues of \$17.6 million reflect an increase of 3.3 percent in FY14. Most of this increase was attributable to increased demand for accessible services and Medicaid programs resulting from expanded Medicaid eligibility guidelines implemented by the State of Oregon as of January 1, 2014.

Nonoperating revenues of \$36.1 million were up 2.1 percent in FY14. A large factor in this change was an increase in the employer payroll tax and self-employment tax rates from 0.69 percent to 0.70 percent effective January 1, 2014, coupled with a modestly improving economy to boost tax collections \$0.6 million. While federal operating assistance was down 8.7 percent for the year, an increase in state assistance related to the now-ended Business Energy Tax Credit program offset the impact.



Operating expenses of \$60.6 million were up 4.8 percent in FY14. Increases in materials and services and accessible services and Medicaid of 14.2 percent and 13.6 percent, respectively, drove the overall increase. Materials and services expenses increased as a result of \$.7 million in preventive maintenance projects, \$.3 million in non-capitalized service planning expenses, and \$.3 million in litigation expenses related to the West Eugene EmX Extension project. Accessible services and Medicaid expenses were impacted by broadened eligibility for services, as mentioned earlier. Fuel costs, though a significant component of materials and service expenses, decreased 0.8 percent due to a combination of market pricing, implementation of fuel saving operational technologies, and the use of offsite fuel storage capacity, which allows the District to take advantage of lower market prices when they arise. Insurance expenses are 35.1 percent higher than the prior year, but this is reflective of an unusually low expense in FY13 rather than a notable increase in FY14.



Capital contributions reflect funds received from federal, state, and local sources for use in capital projects. This component of the change in net position can vary significantly from year to year depending on the number and type of capital projects undertaken. Details of capital spending can be found below in the capital assets portion of this analysis.

FY13

The District's net position decreased \$3.2 million in FY13 to \$139 million. Total revenues were up \$4.5 million (9.5 percent), offset by an increase in total expenses of \$2.7 million (4.9 percent). Capital contributions of \$2.2 million favorably impacted the change in net position.

Operating revenues of \$17 million reflect an increase of 8.7 percent in FY13. Accessible services and Medicaid revenues accounted for most of this increase. In addition, passenger fares increased 2.6 percent due to an increase in cash fares, which helped to offset a 1.6 percent decrease in ridership.

Nonoperating revenues of \$35.4 million were up 9.9 percent in FY13. An increase in the employer payroll tax and self-employment tax rate from 0.68 percent to 0.69 percent effective January 1, 2013, and slowly improving economic conditions accounted for approximately 60 percent of the increase in nonoperating revenues. Another 35.6 percent of the increase was the result of increased federal assistance.

Operating expenses of \$57.8 million were up 4.9 percent in FY13. A number of factors contributed to this increase. Total personnel services expenses increased \$1.3 million (5.1 percent) due to contractually required wage increases, an 18.3 percent increase in retirement plan contributions and a 2.4 percent increase in employer-provided health insurance premiums and contributions to health reimbursement accounts (HRAs) and voluntary employee beneficiary association (VEBA) accounts. Materials and services expenses increased \$.5 million due to a number of preventive maintenance projects to administrative and operations facilities. Accessible services and Medicaid programs incurred an increase of \$.8 million in expenses due to high demand for services. Depreciation expense increased by \$.4 million with the introduction of nine new revenue vehicles into service during the year.

Capital contributions reflect funds received from federal, state, and local sources for use in capital projects. This component of the change in net position can vary significantly from year to year depending on the number and type of capital projects undertaken. Details of capital spending can be found below in the capital assets portion of this analysis.

Capital Assets

At June 30, 2014, the District had invested \$113.3 million, net of accumulated depreciation in a variety of capital assets.

	District Totals			Increase	Percentage	Increase	Percentage
	2014	2013	2012	(decrease) 2014 - 2013	Change 2014 - 2013	(decrease) 2013 - 2012	Change 2013 - 2012
Land	\$ 8,708,370	\$ 8,708,370	\$ 8,708,370	\$ -	0.0%	\$ -	0.0%
Free-standing public art	366,917	366,917	366,917	-	0.0%	-	0.0%
Construction in progress	11,253,541	4,155,519	3,800,543	7,098,022	170.8%	354,976	9.3%
Busways	34,389,800	36,731,411	39,028,249	(2,341,611)	-6.4%	(2,296,838)	-5.9%
Rolling stock and related equipment	24,605,064	28,668,963	32,837,789	(4,063,899)	-14.2%	(4,168,826)	-12.7%
Stations, shelters, and bus signs	10,426,073	10,603,767	11,831,750	(177,694)	-1.7%	(1,227,983)	-10.4%
Buildings and improvements	19,679,255	20,873,130	22,305,002	(1,193,875)	-5.7%	(1,431,872)	-6.4%
Accessible Services vehicles	1,391,302	1,811,158	2,072,005	(419,856)	-23.2%	(260,847)	-12.6%
Other equipment and support vehicles	2,517,582	2,323,064	1,663,038	194,518	8.4%	660,026	39.7%
	<u>\$ 113,337,904</u>	<u>\$ 114,242,299</u>	<u>\$ 122,613,663</u>	<u>\$ (904,395)</u>	-0.8%	<u>\$ (8,371,364)</u>	-6.8%

In FY14, the District spent \$9.6 million for capital acquisition and construction, approximately 89 percent of which was reimbursed by the federal government. Of this amount, \$7.2 million was

spent for design and pre-construction activities related to the West Eugene EmX Extension. Other expenditures included \$.9 million for construction of Pavilion Station and other shelters and \$.6 million for new computer hardware and software. Overall, the District's net position in capital assets decreased by \$.9 million after the charge for depreciation.

In FY13, the District spent \$1.4 million for new computer hardware and software, \$.2 million for new Accessible Services vehicles and equipment, and \$.1 million for energy conservation facility upgrades, approximately 80 percent of which was reimbursed by the federal government. Overall, the District's net position in capital assets decreased by \$8.4 million after the charge for depreciation.

Note 3(d) (page 39) contains additional detail information about capital assets activity.

Economic Factors and Related Budget Impact

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the District. The following are the major assumptions used in developing the FY15 budget:

- The recession began to ease in Lane County in FY14. Total nonfarm payroll employment increased by 4,300 jobs, from 144,800 to 149,100. The county's unemployment rate declined from 7.9 percent to 6.7 percent.
- Total payroll tax receipts are projected to increase 5 percent as a result of an improving economy and an increase in the tax rate in the middle of the last fiscal year.
- A new contract with Amalgamated Transit Union Local 757 was ratified and adopted effective July 1, 2014, the result of a collaborative 18-month joint work group process. The new agreement modifies the pension plan in ways that reduce the long-term cost but retain some predictability for plan members, and it continues to provide for control of health insurance premium rate growth.
- Federal Urbanized Area Formula Funds (5307) in the amount of \$4.1 million will be used to fund preventive maintenance activities. These federal funds will continue to replace General Fund resources (payroll tax revenues) that can then be used to fund fixed-route service. The use of federal formula grant funds for preventive maintenance is expected to continue into the foreseeable future.
- The West Eugene EmX Extension project will begin major construction in FY15. The project will be funded entirely from federal and state grant funds. The District has appropriated \$87.2 million in the FY15 budget to complete the project. The Federal Transportation Administration apportioned the first \$24.4 million for the project in February 2014. The Construction Manager/General Contractor contract for services was executed in May 2014. Service is expected to begin in 2017.
- Approximately \$3.4 million will be spent to satisfy matching requirements for federal capital grants used to purchase three hybrid-electric articulated buses, ten hybrid-electric 40-foot buses, new software for the RideSource Call Center, and other preventive maintenance projects.
- Increased state funding for elderly and disabled transportation will reduce operating support of Accessible Services programs by 14 percent.

Requests 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 the following:

Finance Department
Lane Transit District
P.O. Box 7070
Springfield, OR 97475-0470

Basic Financial Statements

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Statements of Net Position
June 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents		
Unrestricted	\$ 15,286,833	\$ 18,048,822
Restricted	4,203,898	4,407,882
Accounts receivable	1,744,430	1,958,556
Taxes receivable	5,157,198	5,936,000
Grants receivable	12,011,259	3,481,587
Due from other governments	391,208	538,289
Inventory of parts and supplies	2,645,942	3,054,615
Prepaid expenses	247,231	288,358
Deposits	60,000	60,000
Total current assets	41,747,999	37,774,109
Noncurrent assets		
Capital assets		
Land	8,708,370	8,708,370
Freestanding public art	366,917	366,917
Construction in progress	11,253,541	4,155,519
Other capital assets (net of depreciation)	93,009,076	101,011,493
Net of accumulated depreciation	113,337,904	114,242,299
Other assets		
Pension contribution in excess of annual required contribution -- LTD ATU Pension Trust	840,154	753,326
Pension contribution in excess of annual required contribution -- LTD Salaried Employees' Plan	305,768	315,379
Total other assets	1,145,922	1,068,705
Total noncurrent assets	114,483,826	115,311,004
Total assets	\$ 156,231,825	\$ 153,085,113

	<u>2014</u>	<u>2013</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 3,330,723	\$ 1,544,076
Accrued payroll	398,079	362,649
Payroll withholdings and taxes	37,109	27,562
Accrued pension	78,480	88,893
Accrued vacation and sick leave	747,047	2,551,183
Unearned revenue	4,656,573	4,763,125
Employee HRA liability	444,049	415,071
Other current liabilities	<u>344,468</u>	<u>174,245</u>
Total current liabilities	<u>10,036,528</u>	<u>9,926,804</u>
Noncurrent liabilities		
Accrued vacation and sick leave	1,898,733	1,064,350
Net OPEB obligation	<u>3,659,323</u>	<u>3,103,545</u>
Total noncurrent liabilities	<u>5,558,056</u>	<u>4,167,895</u>
Total liabilities	<u>15,594,584</u>	<u>14,094,699</u>
Net position		
Investment in capital assets	113,337,904	114,242,299
Restricted for Accessible Services and Medicaid programs	398,255	436,632
Unrestricted	<u>26,901,082</u>	<u>24,311,483</u>
Total net position	<u>140,637,241</u>	<u>138,990,414</u>
Total liabilities and net position	<u>\$ 156,231,825</u>	<u>\$ 153,085,113</u>

The notes to the financial statements are an integral part of this statement.

Statements of Revenues, Expenses, and Changes in Net Position
For the fiscal years ended June 30, 2014 and 2013

	2014	2013
Operating revenues		
Passenger fares	\$ 6,948,609	\$ 6,914,308
Special services	324,531	439,110
Accessible Services and Medicaid	9,857,780	9,394,430
Advertising	460,000	287,500
Total operating revenues	17,590,920	17,035,348
Operating expenses		
Personnel services	26,615,534	26,666,847
Materials and services	9,496,751	8,313,177
Insurance	1,125,978	833,689
Accessible Services and Medicaid	12,314,118	10,841,746
Depreciation	10,519,936	10,561,286
OPEB expense	555,778	614,905
Total operating expenses	60,628,095	57,831,650
Operating loss	(43,037,175)	(40,796,302)
Nonoperating revenues		
Employer payroll tax, net of state administrative fees (2014, \$506,660; 2013, \$531,896)	25,374,737	24,891,777
Self-employment tax, net of state administrative fees (2014, \$94,091; 2013, \$83,217)	1,647,329	1,576,826
State payroll assessment	1,914,665	1,941,063
Federal assistance	5,993,929	6,563,936
State assistance	723,888	-
Local assistance	48,301	13,700
Interest	85,619	77,171
Facility rental and other nonoperating revenues	318,026	311,639
Gain on disposal of capital assets	13,052	7,635
Total nonoperating revenues	36,119,546	35,383,747
Loss before capital contributions	(6,917,629)	(5,412,555)
Capital contributions		
Federal and state grants for capital acquisition	8,564,456	2,165,876
Changes in net position	1,646,827	(3,246,679)
Total net position -- beginning of period	138,990,414	142,237,093
Total net position -- end of period	\$ 140,637,241	\$ 138,990,414

The notes to the financial statements are an integral part of this statement.

Statements of Cash Flows
For the fiscal years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash received from customers	\$ 17,726,552	\$ 17,100,805
Cash received from other sources	318,026	311,639
Cash paid to suppliers for goods and services	(22,205,116)	(20,716,830)
Cash paid to employees for services	(27,513,196)	(26,814,284)
Net cash used for operating activities	(31,673,734)	(30,118,670)
Cash flows from noncapital financing activities		
Employer payroll tax	26,166,307	24,299,776
Self-employment tax	1,634,561	1,576,826
State payroll assessment	2,047,372	1,917,934
Federal operating grant	5,011,307	7,704,917
State operating grant	722,608	-
Local operating grant	48,301	13,700
Net cash provided by noncapital financing activities	35,630,456	35,513,153
Cash flows from capital and related financing activities		
Contribution from federal and state agencies	990,631	5,528,800
Proceeds from disposal of capital assets	13,052	39,635
Acquisition and construction of capital assets	(7,934,780)	(1,817,290)
Net cash provided by (used for) capital and related financing activities	(6,931,097)	3,751,145
Cash flows from investing activities		
Pension contributions in excess of annual required contribution	(77,217)	(61,745)
Interest receipts	85,619	77,171
Net cash provided by investing activities	8,402	15,426
Net change in cash and cash equivalents	(2,965,973)	9,161,054
Cash and cash equivalents, beginning of year	22,456,704	13,295,650
Cash and cash equivalents, end of year	\$ 19,490,731	\$ 22,456,704
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (43,037,175)	\$ (40,796,302)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	10,519,936	10,561,286
OPEB expense	555,778	614,905
Facility rental and other nonoperating revenues	318,026	311,639
(Increase) decrease in accounts receivable	228,500	355,359
(Increase) decrease in inventory of parts and supplies	408,673	(303,755)
(Increase) decrease in prepaid expenses	41,127	390,204
(Increase) decrease in deposits	-	30,000
Increase (decrease) in accounts payable	158,745	(441,622)
Increase (decrease) in accrued payroll and related liabilities	(935,189)	(144,585)
Increase (decrease) in unearned revenue	(78,495)	(289,904)
Increase (decrease) in health reimbursement account liability	28,978	(2,852)
Increase (decrease) in other current liabilities	117,362	(403,043)
Net cash used for operating activities	\$ (31,673,734)	\$ (30,118,670)

LTD disposed of capital assets with a net book value of \$0 and \$32,000 in years ended June 30, 2014 and 2013, respectively.

Cash and cash equivalents consist of unrestricted and restricted amounts.

The notes to the financial statements are an integral part of this statement.

Notes to Basic Financial Statements

Years Ended June 30, 2014 and 2013

1. Summary of Significant Accounting Policies

The financial statements of Lane Transit District (LTD or the District) have been prepared in conformity with generally accepted accounting principles in the United States of America (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.

(a) 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.

(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 Eugene-Springfield area. Formation of the District was effective November 23, 1970, with the assumption of the operations of a privately owned bus system. Under ORS 267, the District is authorized to levy taxes and charge fares to pay for the operations of the District. LTD also is authorized to issue general obligation bonds and revenue bonds.

The District is governed by a seven-member Board of Directors appointed by the Governor of the State of Oregon. Board members represent and must live in certain geographical subdistricts. The Board of Directors sets District policy, levies taxes, appropriates funds, adopts budgets, and performs other duties required by state and federal law. Board members are not compensated for their time.

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).

(c) Basis of Accounting and Revenue Recognition

The District's financial statements are presented 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 measurement focus is upon the determination of net income.

The financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized as an expense in the statements of revenues, and expenses and changes in net position and all assets and liabilities associated with the operation of the District are included in the statements of net position.

Operating revenues consist primarily of passenger fares. The District also recognizes contracted service revenue and transit advertising revenue as operating revenue. Operating expenses are the costs of operating the District, including depreciation on capital assets. Capital contributions include grant revenue and other contributions related to capital asset acquisitions or construction. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) Tax Revenues

Funding of day-to-day operations is primarily provided by the payroll tax imposed by the District pursuant to ORS 267.380 and the self-employment tax imposed by the District pursuant to ORS 267.385. The payroll tax is imposed on employers with respect to wages earned within the District service area. An employer is not permitted to deduct any portion of the tax from the wages of an employee. The self-employment tax is imposed on self-employed individuals with respect to their net earnings generated within the District service area. The District currently imposes these taxes at a rate of 0.70 percent of the wages paid to individuals (for payroll tax) and net earnings from self-employed individuals (for self-employment tax). The taxes are collected on the District's behalf by the Department of Revenue of the State of Oregon under an agreement entered into pursuant to ORS 305.620. Imposed tax revenues are recorded as assets and revenues in the period that the obligation is incurred by the employers and the self-employed individuals. Amounts accrued are estimated based upon current cash receipts and are trued up in the period that cash is collected.

(e) Restricted Assets

Restricted assets are assets set aside to meet externally imposed legal and contractual obligations. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, restricted resources are used first, and then unrestricted resources are used as they are needed. Restricted assets are current assets restricted for use in accessible services and Medicaid programs.

(f) Cash and Investments

Cash and cash equivalents include deposits in the State of Oregon Local Government Investment Pool and financial institutions, and marketable securities with original maturities of three months or less.

ORS Chapter 294 authorizes the District to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, certain bankers' acceptances and corporate indebtedness, repurchase agreements, and the State of Oregon Local Government Investment Pool.

Investments with original maturities of less than one year are accounted for at amortized cost in accordance with GASB Statement No. 31. Remaining investments are accounted for at fair value.

For purposes of the Statement of Cash Flows, the District considers "cash" to include cash on hand, demand deposits, and highly liquid investments that are readily converted into known amounts of cash or so near maturity they present insignificant risk of changes in value as a result of changes in interest rates.

(g) Grant Receivables

Grant receivables are recorded in accordance with the non-exchange guidance. Accordingly, receivables are recorded when all eligibility criteria have been met.

(h) 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.

(i) Capital Assets and Depreciation

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 as other revenue.

Capital assets, excluding land, free-standing public art, 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 a twelve-year life as suggested by the U.S. Government Federal Transit Administration (FTA). Busways are depreciated over twenty years. Shelters, stations, and buildings have estimated useful lives of ten to forty years. Accessible Services vehicles have estimated useful lives of four to seven years. Useful lives for furniture and other equipment range from three to thirty years.

(j) Compensated Absences

The liability for vested or accumulated leave pay is recorded as the benefits accrue to employees. Vacation pay is payable upon termination, retirement, or death for both union and nonunion employees. Sick leave is recorded at approximately 50 percent of total

accumulated benefits based on the estimated total benefits to be paid to employees prior to or at retirement or separation from service.

(k) Unearned Revenue

Income from pass sales that relates to succeeding months is recognized when earned. Receipts in excess of related Medicaid program expenditures are recognized as revenues or refunded when program review is completed by the Oregon Department of Human Services. Manufacturers' rebates are recognized as revenue when grant-related conditions for application are met. Pass-through proceeds from the sale of State of Oregon Lottery bonds are recognized as revenues when grant-related conditions are met.

(l) Employee HRA Liability

Expense for eligible employees' health reimbursement accounts (HRAs) is recorded in the month earned by the employee. A liability is recorded when made available to the employee for disbursement.

(m) Net position

Net investment in capital assets consists of all capital assets reduced by amounts of accumulated depreciation and amounts related to issued debt that are attributable to the acquisition, construction, and improvement of those assets. Restricted net position consists of net position 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 net position consists of all other net position not included in the above categories.

(n) 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 reporting amounts of certain assets, liabilities, revenues, and expenses. Actual results may differ from such estimates.

(o) New Pronouncements

During FY 2013-14, the District implemented the following GASB pronouncements:

- GASB Statement No. 66, "Technical Corrections – 2012 – An Amendment of GASB Statement 10 and No. 62." The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012.
- GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." The objective of the statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement is effective for reporting periods beginning after June 15, 2013.

2. Stewardship, Compliance, and Accountability

(a) Budgets and Appropriations

The District uses the following budgetary funds to account for its activities:

- **General Fund:** This fund accounts for the financial resources of the District that are not accounted for in any other fund. Principal sources of revenue are passenger fares, advertising and special services, employer payroll and self-employment taxes, State of Oregon payroll assessments, federal operating assistance, and interest. Primary expenditures are for personnel services, materials and services, insurance, and interfund transfers to support accessible services and capital acquisition programs.
- **Accessible Services Fund:** This fund is used to account for the financial resources received primarily from federal and state grants restricted to use for accessible services programs, primarily for seniors and persons with disabilities, which complement regular fixed-route service. Primary revenue sources include State of Oregon Special Transportation Fund (STF) dollars, federal grants, and interfund transfers from the General Fund. Primary expenditures are for contract services, program administration, and interfund transfers of local match funds for program capital asset acquisitions.
- **Medicaid Fund:** This fund is used to account for the financial resources received from federal and state Medicaid programs restricted to use for these programs. The Medicaid program provides transportation services to individuals who qualify for Oregon Health Plan (OHP) Plus medical coverage. With the opening of the RideSource Call Center on May 19, 2008, the District became the countywide broker for all Medicaid nonemergency medical transportation (NEMT) trips. Trips are provided door to door in most cases. Primary revenue sources are reimbursements for services provided; federal, state, and local grants; and interfund transfers from the General Fund. Primary expenditures are for contract services and program administration.
- **Capital Projects Fund:** This fund is used to account for financial resources to be used for the acquisition or construction of capital assets. The primary revenue sources are federal and state grants and transfers from the General Fund and Accessible Services Fund.

The structure of the funds outlined above is in conformity with Oregon Local Budget Law (Oregon Revised Statutes 294.305 to 294.595). 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.

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 projects budget includes proposed expenditures and the means to finance them. Public hearings are conducted to obtain citizen 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 personnel 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. In June 2014, the Board adopted a single amendment to the budget necessitated by a significant increase in demand for Medicaid services resulting from a change in eligibility guidelines by the State of Oregon.

(b) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and commitments for the expenditure of monies are recorded to restrict a portion of the appropriation, is employed for administrative control purposes during the year. Encumbrances at year-end do not constitute expenses or liabilities.

3. Detail Notes

(a) Cash

Cash at June 30 consisted of the following:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Cash:				
Cash on hand	\$ 4,100	\$ 4,100	\$ 4,100	\$ 4,100
Demand deposits with financial institutions	2,126,983	2,126,983	1,191,083	1,191,083
State of Oregon Local Government Investment Pool	<u>17,359,648</u>	<u>17,498,525</u>	<u>21,261,521</u>	<u>21,399,721</u>
Total cash	<u>\$ 19,490,731</u>	<u>\$ 19,629,608</u>	<u>\$ 22,456,704</u>	<u>\$ 22,594,904</u>

Cash is reflected in the balance sheet as follows:

Cash and cash equivalents		
Unrestricted	\$ 15,286,833	\$ 18,048,822
Restricted	<u>4,203,898</u>	<u>4,407,882</u>
Total cash	<u>\$ 19,490,731</u>	<u>\$ 22,456,704</u>

Deposits

At June 30, 2014 and 2013, the District’s book balance in the general operating account was \$2,126,983 and \$1,191,083, respectively, and the bank balance was \$2,230,754 and \$1,767,243, respectively. The difference is due to transactions in process. As of June 30, 2014, the District had deposits of \$250,000 insured by federal depository insurance and \$1,980,754 collateralized in accordance with Oregon Revised Statutes. As of June 30, 2013, the District had deposits of \$250,000 insured by federal depository insurance and \$1,517,243 collateralized in accordance with Oregon Revised Statutes.

Investments

Oregon Revised Statutes Chapter 294 authorizes the District to invest in obligations of the U.S. Treasury and U.S. government agencies and instrumentalities, certain bankers’ acceptances, and corporate indebtedness, repurchase agreements, the State of Oregon Local Government Investment Pool, time certificates of deposits, and various interest-bearing bonds of Oregon municipalities. The District’s investment objectives, as stated in the District’s Investment Policy, are as follows:

- Preservation of capital and the protection of investment principal

- Conformance with all federal and state statutes
- Maintenance of sufficient liquidity to meet operating requirements
- Diversification to avoid unreasonable risks
- Attainment of an investment return appropriate for the portfolio, using the State of Oregon Local Government Investment Pool (LGIP) as the performance yardstick

The District's position in the LGIP at June 30, 2014 and 2013, is stated at cost, which is not materially different than fair value.

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting the maximum maturity of its investment portfolio to one year or less.

Credit Risk

The District does not have a formally adopted policy for credit risk in regards to its investments.

Concentration of Credit Risk

The District's investment policy requires that at least \$1 million be invested outside the LGIP and in accordance with State of Oregon statutes.

Custodial Credit Risk – Deposits and Investments

For deposits, custodial credit risk is the risk of loss of funds due to the event of a bank failure. In order to minimize this risk, ORS Chapter 295 governs the collateralization of certain Oregon public funds, including requiring that banks holding public funds become members of the Public Funds Collateralization Program (PFCP), a multiple financial institution collateral pool created by the Office of the State Treasurer. All banks holding funds in the District's name were properly included on the list of qualified depositories maintained by the Oregon State Treasurer.

For an investment, custodial credit risk 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. The District's investment policy limits the types of investments that may be held, requires all investments purchased to be held in the District's name, and does not allow securities to be held by the counterparty.

A portion of the District's funds are invested in an external investment pool. The Local Government Investment Pool (LGIP) is an open-ended, diversified portfolio offered to eligible participants including Oregon municipalities and political subdivisions. The Oregon State Treasurer's Office manages the LGIP in the same manner it oversees the management of the State's funds and in accordance with the prudent investor rule. The LGIP is commingled with the State's short-term funds in the Oregon Short-Term Fund (OSTF). Investments of the LGIP are governed by portfolio guidelines issued by the OSTF, which establishes diversification percentages and specifies the types and maturities of investments. The OSTF is not managed as a stable net asset value fund, and it is not currently rated by an independent rating agency. The OSTF is an external investment pool as defined by GASB Statement No. 59. The net asset value per share is calculated by the Oregon State Treasurer's Office and approximates fair value. The LGIP is not registered with the U.S.

Securities and Exchange Commission. The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments in the LGIP are further governed by portfolio guidelines issued by the Fund Board.

The Oregon Audits Division of the Secretary of State's office audits the OSTF annually. The Division's report on the OSTF as of and for the year ended June 30, 2014, was unmodified and may be obtained online at the State of Oregon's website at www.oregon.gov.

(b) Receivables

Accounts

Unrestricted accounts receivable at June 30 consisted of the following:

	2014	2013
Passenger fares	\$ 436,606	\$ 291,152
Advertising	-	24,000
State of Oregon Business Energy Tax Credit (BETC) from Student Transit Pass Program	-	571,261
Medicaid reimbursement	451,767	65,703
Medicaid nonmedical reimbursement	342,515	432,234
Medicaid developmental disability reimbursement	363,379	526,292
Miscellaneous	150,163	47,914
Total accounts receivable	<u>\$ 1,744,430</u>	<u>\$ 1,958,556</u>

The District has no allowance for doubtful accounts. Past experience has shown that uncollectible amounts are likely to be insignificant.

Taxes

Unrestricted taxes receivable at June 30 consisted of the following:

	2014	2013
Employer payroll taxes	\$ 5,122,430	\$ 5,914,000
Self-employment taxes	34,768	22,000
Total unrestricted	<u>\$ 5,157,198</u>	<u>\$ 5,936,000</u>

Grants

Grants receivable at June 30 consisted of the following:

	2014	2013
Unrestricted federal grants	\$ 11,339,681	\$ 2,961,614
Unrestricted state grants	1,280	-
Total unrestricted grants	11,340,961	2,961,614
Grants restricted for Accessible Services and Medicaid	670,298	519,973
Total grants receivable	<u>\$ 12,011,259</u>	<u>\$ 3,481,587</u>

(c) Restricted Assets

Restricted assets consist of current assets that are restricted for accessible services and Medicaid programs.

The components of the restricted assets, liabilities payable from restricted assets, and restricted net positions as of June 30, 2014, were as follows:

	Total Restricted Assets	Current Liabilities Payable from Restricted Assets	Net Restricted Assets (Liabilities)
Restricted for Accessible Services and Medicaid:			
Cash and investments	\$ -	\$ (243,364)	\$ (243,364)
Accounts receivable	1,187,049	(370,412)	816,637
Federal and state grants receivable	670,298	(845,316)	(175,018)
Total restricted for Accessible Services and Medicaid	1,857,347	(1,459,092)	398,255
Restricted for capital projects			
Cash and investments	4,203,898	(4,203,898)	-
Total restricted for capital projects	4,203,898	(4,203,898)	-
Total net restricted assets	<u>\$ 6,061,245</u>	<u>\$ (5,662,990)</u>	<u>\$ 398,255</u>

The components of the restricted assets, liabilities payable from restricted assets, and restricted net positions as of June 30, 2013, were as follows:

	Total Restricted Assets	Current Liabilities Payable from Restricted Assets	Net Restricted Assets (Liabilities)
Restricted for Accessible Services and Medicaid:			
Cash and investments	\$ 175,927	\$ (340,074)	\$ (164,147)
Accounts receivable	1,024,754	(152,175)	872,579
Federal and state grants receivable	519,973	(791,773)	(271,800)
Total restricted for Accessible Services and Medicaid	1,720,654	(1,284,022)	436,632
Restricted for capital projects			
Cash and investments	4,231,955	(4,231,955)	-
Total restricted for capital projects	4,231,955	(4,231,955)	-
Total net restricted assets	<u>\$ 5,952,609</u>	<u>\$ (5,515,977)</u>	<u>\$ 436,632</u>

(d) Capital Assets

Major classes of property and equipment and accumulated depreciation as of June 30, 2014 and 2013:

2014	Balance 7/1/13	FY 13-14 Additions or Expenses	FY 13-14 Disposals	Transfers	Balance 6/30/14
Capital assets, not being depreciated:					
Land	\$ 8,708,370	\$ -	\$ -	\$ -	\$ 8,708,370
Public art	366,917	-	-	-	366,917
Construction in progress	4,155,519	7,549,248	-	(451,226)	11,253,541
Total capital assets, not being depreciated	13,230,806	7,549,248	-	(451,226)	20,328,828
Capital assets, being depreciated:					
Busways	46,925,623	-	-	-	46,925,623
Rolling stock and related equipment	53,961,499	-	-	-	53,961,499
Stations, shelters, and bus signs	19,320,213	945,635	-	86,529	20,352,377
Buildings and improvements	40,179,979	144,144	-	219,950	40,544,073
Accessible Services vehicles	5,612,429	137,425	(229,033)	-	5,520,821
Other equipment and support vehicles	11,114,364	839,092	(97,166)	144,747	12,001,037
Total capital assets, being depreciated	177,114,107	2,066,296	(326,199)	451,226	179,305,430
Less accumulated depreciation for:					
Busways	10,194,212	2,341,611	-	-	12,535,823
Rolling stock and related equipment	25,292,536	4,063,899	-	-	29,356,435
Stations, shelters, and bus signs	8,716,446	1,209,858	-	-	9,926,304
Buildings and improvements	19,306,849	1,557,969	-	-	20,864,818
Accessible Services vehicles	3,801,271	557,281	(229,033)	-	4,129,519
Other equipment and support vehicles	8,791,300	789,321	(97,166)	-	9,483,455
Total accumulated depreciation	76,102,614	10,519,939	(326,199)	-	86,296,354
Total capital assets, being depreciated, net	101,011,493	(8,453,643)	-	451,226	93,009,076
Total capital assets, net	\$ 114,242,299	\$ (904,395)	\$ -	\$ -	\$ 113,337,904
2013	Balance 7/1/12	FY 12-13 Additions or Expenses	FY 12-13 Disposals	Transfers	Balance 6/30/13
Capital assets, not being depreciated:					
Land	\$ 8,708,370	\$ -	\$ -	\$ -	\$ 8,708,370
Public art	366,917	-	-	-	366,917
Construction in progress	3,800,543	1,302,553	-	(947,577)	4,155,519
Total capital assets, not being depreciated	12,875,830	1,302,553	-	(947,577)	13,230,806
Capital assets, being depreciated:					
Busways	46,882,982	42,641	-	-	46,925,623
Rolling stock and related equipment	58,659,560	-	(4,698,061)	-	53,961,499
Stations, shelters, and bus signs	19,320,213	-	-	-	19,320,213
Buildings and improvements	40,054,596	107,704	-	17,679	40,179,979
Accessible Services vehicles	5,504,431	217,630	(109,632)	-	5,612,429
Other equipment and support vehicles	9,780,386	551,394	(147,314)	929,898	11,114,364
Total capital assets, being depreciated	180,202,168	919,369	(4,955,007)	947,577	177,114,107
Less accumulated depreciation for:					
Busways	7,854,733	2,339,479	-	-	10,194,212
Rolling stock and related equipment	25,821,771	4,136,826	(4,666,061)	-	25,292,536
Stations, shelters, and bus signs	7,488,463	1,227,983	-	-	8,716,446
Buildings and improvements	17,749,594	1,557,255	-	-	19,306,849
Accessible Services vehicles	3,432,426	478,477	(109,632)	-	3,801,271
Other equipment and support vehicles	8,117,348	821,266	(147,314)	-	8,791,300
Total accumulated depreciation	70,464,335	10,561,286	(4,923,007)	-	76,102,614
Total capital assets, being depreciated, net	109,737,833	(9,641,917)	(32,000)	947,577	101,011,493
Total capital assets, net	\$ 122,613,663	\$ (8,339,364)	\$ (32,000)	\$ -	\$ 114,242,299

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

There is no property and equipment under capital lease.

(e) Accrued Vacation and Sick Leave Liabilities

Accrued vacation and sick leave payable at June 30 consisted of the following:

	<u>2014</u>	<u>2013</u>
Accrued vacation and sick leave payable at beginning of period	\$ 3,615,533	\$ 3,499,425
Total vacation accrued for period	998,346	1,820,526
Total sick leave accrued for period	98,135	535,512
Total vacation taken for period	(1,522,870)	(1,804,603)
Total sick leave taken for period	(497,088)	(407,903)
Total sick leave lost for period	<u>(46,276)</u>	<u>(27,424)</u>
Accrued vacation and sick leave payable at end of period	<u>\$ 2,645,780</u>	<u>\$ 3,615,533</u>
Vacation time - union-represented employees	\$ 1,036,308	\$ 1,237,066
Combined annual leave - nonunion employees	572,660	896,426
Sick leave - union-represented employees	602,328	787,309
Extended illness bank - nonunion employees	434,484	694,732
Total accrued vacation and sick leave	<u>\$ 2,645,780</u>	<u>\$ 3,615,533</u>
Current portion vacation and sick leave	\$ 747,047	\$ 2,551,183
Noncurrent vacation and sick leave	<u>1,898,733</u>	<u>1,064,350</u>
Total	<u>\$ 2,645,780</u>	<u>\$ 3,615,533</u>

4. Other Information

(a) Pension Benefits

The District contributes to two single-employer public employee retirement plans. One, the Lane Transit District Salaried Employees' Retirement Plan (LTDSP), combines a defined benefit plan (Part 1) and a defined contribution plan (Part 2) for all members who entered the plan prior to January 1, 2012. New members joining this plan after December 31, 2011, are covered by a discretionary employer contribution program and a matching contribution provision. The second plan, the Lane Transit District and Amalgamated Transit Union, Local No. 757, Pension Trust (LTD ATU Pension Trust), is a defined benefit plan.

Each plan is administered by appointed Trustees. The three Trustees of the LTDSP are a member of the Lane Transit District Board of Directors, and the general manager and the director of human resources and risk management of LTD. The four Trustees of the LTD ATU Pension Trust are a member of the Lane Transit District Board of Directors; the general

manager of LTD; the president (or designee) of the ATU, Local No. 757; and an executive board officer of ATU, Local No. 757.

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 plans are not included in the reporting entity of the District. The assets are invested in a variety of stocks, bonds, and other securities. Neither plan includes in its assets any District securities nor securities of any related parties. No loans have been granted to the District from plan funds.

The District's contributions to the LTD ATU Pension Trust and to the LTDSP Part 1 (a defined benefit plan) are actuarially determined and recognized in the current reporting period. The District funds the LTDSP Part 1 based on an annual contribution, made on a biweekly basis with each payroll. The District funds the LTD ATU Pension Trust based on a contribution per covered hour worked, made on a biweekly basis with each payroll. The District funds both plans based on actuarially determined annual required contributions (ARC). The District's Board of Directors has formally adopted the actuarial methods and investment return assumptions used for the LTDSP Part 1 plan. The District funds the LTDSP Part 2 (a defined contribution plan) and the new discretionary employer and matching contributions each payroll period.

Lane Transit District Salaried Employee's Retirement Plan
(plan entrants prior to January 1, 2012)

Plan Description

The LTDSP Part 1 provides retirement, disability, and death benefits to plan members and beneficiaries and covers all District nonunion employees hired before January 1, 2012. Participation begins on the first January 1 or July 1 after beginning work for the District. Benefits are 100 percent vested when the plan member earns five years of vesting credit or is an employee while age 60 or older. Vested plan members may retire and receive a monthly benefit, payable for life, at or after age 55 with five years of vesting credit, age 60, or with 30 years of vesting credit. Benefits are the higher of (1) the number of years of benefit credit times average annual salary (determined for the 36 consecutive calendar months of employment that produce the highest average annual salary) times 1.67 percent, or (2) (a) the number of years of benefit credit (not exceeding 25) times average annual salary times 3 percent less (b) the plan member's Primary Social Security Benefit. Unused sick leave is included as a component of compensation, which increases the annual retirement benefit. Ad hoc cost-of-living adjustments (most recently in 1998) have been provided to members and beneficiaries at the discretion of the District's Board of Directors. The LTDSP is contained in a plan document that was originally adopted effective July 1, 1975, was amended on several subsequent occasions, was last restated effective July 1, 2011, and was last amended on April 12, 2013.

Under LTDSP Part 2, the District contributes to an account invested at the plan member's direction, 6 percent of a plan member's salary for each payroll period that begins after six calendar months of employment. One half of this 6 percent contribution is an employee contribution that is "picked up" and funded by the District.

Plan members are immediately vested in their LTDSP Part 2 voluntary- and employer-contribution accounts.

The Trustees of the LTDSP issue a publicly available financial report that includes financial statements and required supplementary information for the LTDSP. The report may be

obtained by writing to Trustees of the Lane Transit District Salaried Employees' Retirement Plan, P.O. Box 7070, Springfield, Oregon 97475-0470.

Funding Policy and Annual Pension Cost

The funding policy of the LTDSP Part 1 provides for an actuarially computed recommended contribution equal to the actuarial present value of projected benefits allocated to the year (normal cost) plus a level dollar payment to cover the amortization of the unfunded actuarial accrued liability. Actual contributions at this level are intended to meet the annual required contribution.

The District's annual pension cost and net pension obligation to the LTDSP Part 1 for the fiscal years ended June 30 were as follows:

	2014	2013
Annual required contribution	\$ 1,157,450	\$ 1,156,122
Interest on net pension obligation	(23,653)	(24,128)
Adjustment to annual required contribution	30,563	30,456
Annual pension cost	1,164,360	1,162,450
Total LTD contribution to trust	(1,154,749)	(1,156,127)
Increase in net pension obligation	9,611	6,323
Net pension obligation beginning of year	(315,379)	(321,702)
Net pension obligation end of year	\$ (305,768)	\$ (315,379)

The schedule of District contributions is as follows:

	2014	2013	2012
Covered payroll	\$ 5,226,297	\$ 5,214,746	\$ 5,092,690
Employer Required Contribution rate	n/a	n/a	18.3%
Normal Cost Contribution rate	11.5%	11.5%	n/a
Actual LTD rate of covered payroll	11.5%	11.5%	20.2%
Employer Level Dollar payment	556,426	556,426	n/a
Annual Required Contribution (ARC)	1,157,450	1,156,122	931,962
Actual LTD contributions	1,154,749	1,156,127	1,026,587
Contribution in excess (deficit) of ARC	(2,701)	5	94,625
Percentage of ARC contributed	100%	100%	110%
Annual pension cost	1,164,360	1,162,450	931,592
Percentage of annual pension cost contributed	99%	99%	110%
Change in Net Pension Obligation	9,611	6,323	(94,995)
Net pension obligation (asset)	(305,768)	(315,379)	(321,702)

Actuarial Methods and Assumptions

Significant methods and assumptions for the most recent actuarial valuation were as follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	18 years
Asset valuation method	3-year smoothed market
Actuarial assumptions:	
Investment rate of return, net	7.25%
Projected annual salary increases	3.5% to 11% per year, based on age
Inflation rate	3.0%

The LTDSP Part 1 does not provide for automatic, post-retirement benefit increases. However, the District's Board of Directors has adopted ad hoc increases from time to time (most recently in 1998). Plan improvements are amortized in the manner determined above.

Funding Status and Funding Progress

The plan's funded status as of June 30, 2013, the most recent actuarial valuation date, is shown below:

Actuarial value of assets	\$	13,352,400
Actuarial accrued liability		19,636,400
Unfunded actuarial accrued liability		6,284,000
Funded ratio		68.0%
Covered payroll		5,063,700
UAAL as a percentage of covered payroll		124.1%

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.

Lane Transit District Salaried Employee's Retirement Plan
(plan entrants after December 31, 2011)

Plan Description

The Lane Transit District Salaried Employees' Defined Contribution Program became effective on January 1, 2012. Any new entrants into the Salaried plan after December 31, 2011, are eligible participants for this Defined Contribution Program and not the Part 1 and Part 2 programs. This program provides contributions to a discretionary account and the opportunity to receive contributions to a matching account. The discretionary contribution made by Lane Transit District is expected to be as follows:

Years of Vesting Service on Payday	% of Base Pay Contributed
0-4	4.5%
5-9	5.6%
10-14	6.7%
15-19	7.8%
20 or more	9.0%

The matching contribution percentage is currently set at 50 percent of a participant's elective contribution (to a Section 457 deferred compensation account) up to a maximum of 3 percent of their base pay for the payday.

The vesting schedule for the discretionary and matching accounts is as follows:

Years of Vesting Service	Discretionary Account Vesting	Matching Account Vesting
0	0%	25%
1	10%	50%
2	20%	75%
3	30%	100%
4	40%	100%
5	60%	100%
6	80%	100%
7 or more	100%	100%

Lane Transit District and Amalgamated Transit Union,
Local No. 757, Pension Trust

Plan Description

The LTD ATU Pension Trust provides retirement, disability, and death benefits to plan members and beneficiaries and covers all District union employees. Participation begins after six months of employment. Benefits are 100 percent vested when the plan member earns five years of credited service or is an employee while age 60 or older. Vested plan members who retire at or after age 60, and plan members who terminate employment after June 30, 2000, with 30 years of credited service, are entitled to a monthly retirement benefit for life, with a minimum of 36 monthly payments made to the plan member or the member's beneficiary. The retirement benefit for plan members terminating employment on or after July 1, 2014, is \$65.50 per month per year of credited service. This multiplier is scheduled to increase in annual increments, eventually reaching \$70 per month per year of credited service for members terminating employment on or after January 1, 2017. Increases to the multiplier after December 31, 2015, only apply to service in future years. Plan members with 10 years of credited service may also retire with a reduced benefit as early as age 55. One year of credited service is earned for the first 1,600 hours in a calendar year. Hours are hours worked before June 30, 1994, and compensated hours after June 30, 1994. Partial credit of 0.25 of a year of credited service is earned for every 400 hours, up to 1,600 hours,

in a calendar year. Unused sick leave does not increase the monthly retirement benefit or convert to any other pension benefit. Ad hoc cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Trustees. The most recent cost of living increase was granted in 2006. No employee contributions are required or permitted. The plan was created effective March 1, 1972, by collective bargaining agreement, was amended on several subsequent occasions, and was amended on July 23, 2014.

An Employee Participation Account is kept for each participant. After December 31, 2000, the Employee Participation Account is credited with \$.10 per compensated hour. The value of the Employee Participation Account is adjusted once a plan year by an investment rate of return chosen by the Trustees. The Employee Participation Account is paid to a plan member who terminates employment before age 60 with at least three but less than five years of credited service, and is paid as a preretirement death benefit to the beneficiary of a married plan member who dies with at least three but less than five years of credited service or to the beneficiary of an unmarried plan member who dies with at least three years of credited service.

The Trustees of the LTD ATU Pension Trust issue a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to Trustees of the Lane Transit District and Amalgamated Transit Union, Local No. 757, Pension Trust, P.O. Box 7070, Springfield, Oregon 97475-0470.

Funding Policy and Annual Pension Cost

Pursuant to the terms of the Working and Wage Agreement between the ATU and the District for the period July 1, 2011, through June 30, 2014, the District is required to fund the LTD ATU Pension Trust in accordance with actuarial principles, amortizing past service liabilities over a period of 40 years or less. As of June 30, 2014, the District is amortizing past service liabilities over no more than twenty years.

The funding policy of the LTD ATU Pension Trust provides for an actuarially computed recommended contribution, as an amount per compensable hour, intended to meet the annual required contribution. Actual contributions by the District exceeded this recommended rate by 5 percent for both fiscal years ended June 30, 2014 and 2013.

The District's annual pension cost and net pension obligation to the LTD ATU Pension plan for the fiscal years ended June 30 were as follows:

	2014	2013
Annual required contribution	\$ 2,132,369	\$ 2,130,945
Interest on net pension obligation	(54,616)	(48,511)
Adjustment to annual required contribution	70,046	62,216
Annual pension cost	2,147,799	2,144,650
Total LTD contribution to trust	<u>(2,234,627)</u>	<u>(2,228,856)</u>
(Decrease) increase in net pension obligation	(86,828)	(84,206)
Net pension obligation beginning of year	<u>(753,326)</u>	<u>(669,120)</u>
Net pension obligation end of year	<u>\$ (840,154)</u>	<u>\$ (753,326)</u>

The schedule of District contributions is as follows:

	2014	2013	2012
Covered payroll	\$ 10,625,261	\$ 10,629,043	\$ 10,288,538
Covered hours	457,590	455,330	465,130
Annual required rate per hour	4.66	4.68	4.26
Actual LTD rate per hour	4.89	4.89	4.70
Annual Required Contribution (ARC)	2,132,369	2,130,945	1,981,455
Actual LTD contributions	2,234,627	2,228,856	2,193,790
Contribution in excess of ARC	102,258	97,911	212,335
Percentage of ARC contributed	105%	105%	110%
Annual pension cost	2,147,799	2,144,650	1,987,448
Percentage of annual pension cost contributed	104%	104%	110%
Change in Net Pension Obligation	(86,828)	(84,206)	(206,342)
Net pension obligation (asset)	(840,154)	(753,326)	(669,120)

Actuarial Methods and Assumptions

Significant methods and assumptions for the most recent actuarial valuation were as follows:

Actuarial valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	20 years / 10 years*
Asset valuation method	3-year smoothed market
Actuarial assumptions:	
Investment rate of return, net	7.25%
Inflation rate	3.0%

*The unfunded actuarial accrued liability and actuarial gains and losses are generally being amortized over closed amortization periods of twenty years from the dates of initial recognition. However, liabilities associated with plan changes in the 2014-2017 Working and Wage Agreement, are being amortized over ten years.

The plan does not provide for automatic post-retirement benefit increases, although the plan requires the Trustees to consider a cost-of-living adjustment once per plan year. The Trustees last adopted an ad hoc increase of 2 percent on January 1, 2006.

Funding Status and Funding Progress

The plan's funded status as of January 1, 2014, the most recent actuarial valuation date, is shown below:

Actuarial value of assets	\$	20,711,199
Actuarial accrued liability		33,352,106
Unfunded actuarial accrued liability		12,640,907
Funded ratio		62.1%
Covered payroll		11,525,800
UAAL as a percentage of covered payroll		109.7%

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.

(b) Other Post-Employment Benefits

Plan Description

The District administers a single-employer defined benefit healthcare plan per the requirements of collective bargaining agreements, which are applied uniformly to all employees. The plan provides an explicit employer-paid benefit of up to \$250 per month per pre-Medicare retiree (\$275 per month beginning January 1, 2015) toward post-retirement healthcare insurance for eligible retirees, their spouses, domestic partners, and dependents through the District's group health insurance plans, which cover both active and retired participants. Premiums beyond the monthly explicit employer-paid benefit are paid by the retiree. 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, spouses, and domestic partners until they become eligible for Medicare, typically age 65, and eligible dependents until age 26.

The plan also provides an explicit employer-paid benefit of up to \$125 per month per Medicare-eligible retiree applied toward offered Medicare supplements.

Currently, retirees may not convert the benefit to an in-lieu payment to secure coverage under independent plans. Beginning January 1, 2015, retirees will be allowed to continue District-sponsored coverage or use their benefit to obtain coverage from a carrier of their choice.

The District's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulates that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. 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, which is a liability in addition to the employer-paid benefit described above.

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 January 1, 2014, actuarial valuation date, there were 127 retirees receiving benefits under the plan and 302 active employees who may be eligible for future retirement benefits.

Funding Policy

The District collects insurance premiums, net of applied explicit employer-paid 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 annual required contribution (ARC) for the plan is an amount calculated to prefund future benefits as determined by the actuary. The District has elected not to prefund the actuarially determined future cost, choosing to finance the plan on a pay-as-you-go basis.

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 (ARC) of the employer, 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 District's annual OPEB cost and net OPEB obligation for the fiscal years ended June 30 were as follows:

	2014	2013	2012
Annual required contribution	\$ 1,136,911	\$ 1,087,302	\$ 1,044,515
Interest earned on net OPEB obligation	108,624	87,102	85,593
Adjustment to the annual required contribution	<u>(269,466)</u>	<u>(216,077)</u>	<u>(146,222)</u>
Annual OPEB cost (expense)	976,069	958,327	983,886
Contribution made	<u>(420,292)</u>	<u>(343,421)</u>	<u>(397,294)</u>
Increase in net OPEB obligation	555,777	614,906	586,592
Net OPEB obligation, beginning of year	<u>3,103,546</u>	<u>2,488,640</u>	<u>1,902,048</u>
Net OPEB obligation, end of year	<u>\$ 3,659,323</u>	<u>\$ 3,103,546</u>	<u>\$ 2,488,640</u>
Percentage of annual OPEB cost contributed	43.1%	35.8%	40.4%

Funding Status and Funding Progress

The plan's funded status as of January 1, 2014, the most recent actuarial valuation date, is shown below:

Actuarial value of assets	\$	-
Actuarial accrued liability		<u>7,789,243</u>
Unfunded actuarial accrued liability (UAAL)		7,789,243
Funded ratio		0%
Covered payroll		16,745,100
UAAL as a percentage of covered payroll		46.5%

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 valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. 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.

Significant methods and assumptions for the latest actuarial valuation were as follows:

Actuarial valuation date	January 1, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	15 years
Actuarial assumptions:	
Investment rate of return	3.5%
General inflation rate	3.0%
Healthcare inflation rate	6.5% initial, 5% ultimate

The projected unit credit method attempts to track the actual economic pattern of benefit accrual over an employee's working lifetime. 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.

(c) Risk Management

Risk is managed through a combination of purchased commercial insurance coverage and self-insurance with risk reserves. There has been no significant reduction in insurance coverage during the year. The limits are consistent with coverage carried by other public entities of the District's size and type in Oregon.

Oregon tort liability law generally limits claims for one incident to \$1,333,300. Additional coverage is for federal claims, out-of-state claims, or contractual liability. This coverage is tabulated as follows:

Retention Level (Deductible)	Description	Limits of Coverage
\$ 100,000	Vehicle liability / uninsured motorist	\$ 10,000,000
25,000	Property and contents	29,762,949
25,000	General and tort liability	10,000,000
50,000	Bus - physical damage	Stated value
50,000	Earthquake / flood	15,000,000
5,000	Pollution liability (fuel storage tanks)	1,000,000
1,000	Public employee blanket	250,000

The greatest risk exposure for the District is in vehicle liability. The District self-insures up to \$100,000 per accident. The level of risk reserving is set by Board policy considering both the history of payments and the potential exposure to risk. The reserve level is evaluated and the reserve amount is budgeted during the annual budget process. Current Board policy sets this amount at \$1,000,000. In the last three fiscal years, no settlements have exceeded the limits of insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss reasonably can be estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are set by an independent firm.

These liabilities are calculated considering the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors.

Changes in the balances of claims liabilities during the past three years are as follows:

	Automobile/Bus Liability		
	2014	2013	2012
Unpaid claims and claim adjustment expenses, beginning of the year	\$ 89,540	\$ 467,386	\$ 318,378
Incurred claims (including IBNRs)	150,755	(97,053)	285,662
Claim payments	(96,755)	(280,793)	(136,654)
Total unpaid claims and claim adjustment expenses, end of the year	<u>\$ 143,540</u>	<u>\$ 89,540</u>	<u>\$ 467,386</u>

Unpaid claims are carried at estimated gross settlement value.

(d) Commitments and Contingencies

Management has evaluated subsequent events through December 9, 2014, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

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, 2014, the District had commitments of approximately \$5.2 million for engineering, land acquisition, and utility relocation related to the West Eugene EmX Extension and \$2.8 million for bus purchases.

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

- GASB Statement No. 68, "Accounting and Reporting for Pension Plans—An Amendment of GASB Statement No. 27." The statement establishes accounting and

financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.

- GASB Statement No. 69, "Government Combinations and Disposals of Government Operations." This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.
- GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." This statement addresses a transition issue related to implementation of GASB Statement No. 68. The statement is effective for fiscal years beginning after June 15, 2014, simultaneously with the provisions of GASB Statement No. 68.

(e) Reclassifications

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

(f) Expenditures as Appropriated

The presentation of the budget to actual schedules in the supplemental information section of the financial statements differs in format from the appropriations adopted by the Board of Directors. The following table shows the appropriated expenditures for the fiscal year ending June 30, 2014, as adopted:

	Budgeted Amounts		Actual	Variance
	Original	Final		
General Fund				
Personnel Services	\$ 28,388,700	\$ 28,388,700	\$ 27,662,504	726,196
Materials and Services	10,724,300	10,724,300	9,050,728	1,673,572
Transfer to Accessible Services Fund	2,635,400	2,635,400	2,252,912	382,488
Transfer to Medicaid Fund	147,200	172,200	162,436	9,764
Transfer to Capital Projects Fund	1,792,700	1,792,700	1,792,700	-
Contingencies	12,315,400	12,315,400	-	12,315,400
Accessible Services Fund				
Materials and Services	5,896,500	5,896,500	5,889,402	7,098
Transfer to Capital Projects Fund	119,000	119,000	-	119,000
Contingencies	259,700	259,700	-	259,700
Medicaid Fund				
Materials and Services	5,734,400	6,527,620	6,424,716	102,904
Contingencies	200,700	-	-	-
Capital Projects Fund				
Capital Outlay	112,716,000	112,716,000	11,133,545	101,582,455
Capital Reserve	119,000	119,000	-	119,000

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*Required Supplementary
Information*

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Schedule of Pension and OPEB Funding Progress

Salaried Employees' Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll (Previous 26 payrolls)	Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/2013	\$ 13,352,400	\$ 19,636,400	\$ 6,284,000	68.0%	\$ 5,063,700	124.1%
6/30/2011	11,551,800	16,746,400	5,194,600	69.0%	4,653,100	111.6%
6/30/2009	9,532,400	14,036,000	4,503,500	67.9%	5,216,600	86.3%

Amalgamated Transit Union Local No. 757 Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll (Previous 26 payrolls)	Unfunded Actuarial Liability as a Percentage of Covered Payroll
1/1/2014	\$ 20,711,199	\$ 33,352,106	\$ 12,640,907	62.1%	\$ 11,525,800	109.7%
1/1/2012	17,091,600	31,312,600	14,221,000	54.6%	10,933,900	130.1%
1/1/2010	14,693,500	28,711,200	14,017,700	51.2%	11,719,200	119.6%

Other Post-employment Benefit (OPEB) Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll (Previous 26 payrolls)	Unfunded Actuarial Liability as a Percentage of Covered Payroll
1/1/2014	\$ -	\$ 7,789,243	\$ 7,789,243	0.0%	\$ 16,745,100	46.5%
1/1/2012	-	7,210,300	7,210,300	0.0%	15,381,200	46.9%
1/1/2010	-	6,584,300	6,584,300	0.0%	16,783,500	39.2%

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*Other Supplementary
Information*

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General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual on a Non-GAAP Budget Basis
For the fiscal year ended June 30, 2014

	Original Budget	Budget as Amended	Actual	Variance Favorable (unfavorable)
Revenues				
Passenger fares	\$ 7,053,800	\$ 7,053,800	\$ 6,948,609	\$ (105,191)
Special services	146,800	146,800	324,531	177,731
Advertising	255,000	255,000	460,000	205,000
Employer payroll tax	25,543,100	25,543,100	25,374,737	(168,363)
Self-employment tax	1,785,600	1,785,600	1,647,329	(138,271)
State payroll assessment	1,820,000	1,820,000	1,914,665	94,665
Federal assistance	5,016,000	5,016,000	5,069,829	53,829
State assistance	-	-	723,888	723,888
Local assistance	40,000	40,000	42,385	2,385
Miscellaneous	151,000	151,000	316,476	165,476
Interest	50,000	50,000	83,006	33,006
Sale of assets	15,000	15,000	-	(15,000)
Total revenues	<u>41,876,300</u>	<u>41,876,300</u>	<u>42,905,455</u>	<u>1,029,155</u>
Expenditures				
Personnel services	28,388,700	28,388,700	27,662,504	726,196
Materials and services	9,659,400	9,659,400	7,978,750	1,680,650
Insurance	1,064,900	1,064,900	1,071,978	(7,078)
Other uses				
Transfer to Accessible Services Fund	2,635,400	2,635,400	2,252,912	382,488
Transfer to Medicaid Fund	147,200	172,200	162,436	9,764
Transfer to Capital Projects Fund	1,792,700	1,792,700	1,792,700	-
Operating contingency	1,000,000	975,000	-	975,000
Working capital contingency	10,315,400	10,315,400	-	10,315,400
Self-insurance contingency	1,000,000	1,000,000	-	1,000,000
Total expenditures and other uses	<u>56,003,700</u>	<u>56,003,700</u>	<u>40,921,280</u>	<u>15,082,420</u>
Excess (deficiency) of revenues over expenditures	(14,127,400)	(14,127,400)	1,984,175	16,111,575
Fund balance, beginning of year	<u>14,127,400</u>	<u>14,127,400</u>	<u>20,651,503</u>	<u>6,524,103</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,635,678</u>	<u>\$ 22,635,678</u>

Accessible Services Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual on a Non-GAAP Budget Basis
For the fiscal year ended June 30, 2014

	Original Budget	Budget as Amended	Actual	Variance Favorable (unfavorable)
Revenues				
Passenger fares	\$ 342,300	\$ 342,300	\$ 335,367	\$ (6,933)
Federal assistance	2,365,500	2,365,500	2,560,098	194,598
State assistance	580,800	580,800	597,270	16,470
Local assistance	91,500	91,500	103,220	11,720
Interest	-	-	743	743
Other sources				
Transfer from General Fund	2,635,400	2,635,400	2,252,912	(382,488)
Total revenues and other sources	6,015,500	6,015,500	5,849,610	(165,890)
Expenditures				
Eugene-Springfield services				
ADA RideSource	4,866,800	4,866,800	4,932,371	(65,571)
Transit training and hosts	142,900	142,900	122,517	20,383
Special transportation	92,700	92,700	92,739	(39)
Total Eugene-Springfield services	5,102,400	5,102,400	5,147,627	(45,227)
Rural Lane County services				
South Lane	110,400	110,400	123,435	(13,035)
Florence	168,700	168,700	165,379	3,321
Oakridge	222,800	222,800	217,625	5,175
Total rural Lane County services	501,900	501,900	506,439	(4,539)
Other services				
Mobility management	178,500	178,500	165,784	12,716
Crucial connections	9,000	9,000	1,193	7,807
Veterans transportation	8,600	8,600	13,819	(5,219)
Lane County coordination	96,100	96,100	54,540	41,560
Total other services	292,200	292,200	235,336	56,864
Other uses				
Transfer to Capital Projects Fund	119,000	119,000	-	119,000
Operating contingency	259,700	259,700	-	259,700
Total expenditures and other uses	6,275,200	6,275,200	5,889,402	385,798
Excess (deficiency) of revenues over expenditures	(259,700)	(259,700)	(39,792)	219,908
Fund balance, beginning of year	259,700	259,700	255,018	(4,682)
Fund balance, end of year	\$ -	\$ -	\$ 215,226	\$ 215,226

Medicaid Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual on a Non-GAAP Budget Basis
For the fiscal year ended June 30, 2014

	Original Budget	Budget as Amended	Actual	Variance Favorable (unfavorable)
Revenues				
Medicaid non-emergency medical transportation (NEMT)	\$ 5,066,200	\$ 5,633,720	\$ 5,796,208	\$ 162,488
Medicaid waived transportation	521,000	521,000	465,617	(55,383)
Interest	-	-	1,870	1,870
Other sources				
Transfer from General Fund	147,200	172,200	162,436	(9,764)
Total revenues and other sources	<u>5,734,400</u>	<u>6,326,920</u>	<u>6,426,131</u>	<u>99,211</u>
Expenditures				
Medicaid nonemergency medical transportation (NEMT)				
Services	4,251,900	5,020,120	4,675,695	344,425
Mobility management	54,400	54,400	66,042	(11,642)
Program administration	759,900	759,900	1,054,926	(295,026)
Total Medicaid NEMT	<u>5,066,200</u>	<u>5,834,420</u>	<u>5,796,663</u>	<u>37,757</u>
Medicaid waived transportation				
Services	387,300	412,300	331,704	80,596
Mobility management	20,400	20,400	22,975	(2,575)
Program administration	6,600	6,600	74,318	(67,718)
Grant program match requirements	253,900	253,900	199,056	54,844
Total Medicaid waived transportation	<u>668,200</u>	<u>693,200</u>	<u>628,053</u>	<u>65,147</u>
Other uses				
Operating contingency	200,700	-	-	-
Total expenditures and other uses	<u>5,935,100</u>	<u>6,527,620</u>	<u>6,424,716</u>	<u>102,904</u>
Excess (deficiency) of revenues over expenditures	(200,700)	(200,700)	1,415	202,115
Fund balance, beginning of year	<u>200,700</u>	<u>200,700</u>	<u>181,614</u>	<u>(19,086)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,029</u>	<u>\$ 183,029</u>

Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual on a Non-GAAP Budget Basis
For the fiscal year ended June 30, 2014

	Original Budget	Budget as Amended	Actual	Variance Favorable (unfavorable)
Revenues				
Federal assistance	\$ 89,172,800	\$ 89,172,800	\$ 9,399,106	\$ (79,773,694)
State assistance	20,000,000	20,000,000	23,154	(19,976,846)
Local assistance	-	-	72,212	72,212
Miscellaneous	-	-	1,550	1,550
Other sources				
Transfer from Accessible Services Fund	119,000	119,000	-	(119,000)
Transfer from General Fund	1,792,700	1,792,700	1,792,700	-
Total revenues and other sources	111,084,500	111,084,500	11,288,722	(99,795,778)
Expenditures				
Frequent transit network				
West Eugene EmX extension	95,000,000	95,000,000	7,446,236	87,553,764
Gateway EmX extension	840,000	840,000	853,424	(13,424)
Main Street / McVay transit study	885,300	885,300	187,864	697,436
Northwest Eugene / LCC transit study	-	-	8,047	(8,047)
Total frequent transit network	96,725,300	96,725,300	8,495,571	88,229,729
Other capital outlay				
Revenue vehicles - fixed route	9,366,500	9,366,500	74,222	9,292,278
Revenue vehicles - accessible services	700,000	700,000	138,815	561,185
Support vehicles	150,000	150,000	102,075	47,925
Stations, shelters, and facilities	1,260,000	1,260,000	1,242,411	17,589
Computer hardware and software	2,820,100	2,820,100	933,505	1,886,595
Intelligent transportation systems	688,000	688,000	8,633	679,367
Transit security projects	709,100	709,100	32,222	676,878
Communications equipment	150,000	150,000	-	150,000
Shop equipment	30,000	30,000	27,845	2,155
Miscellaneous equipment	117,000	117,000	78,246	38,754
Total other capital outlay	15,990,700	15,990,700	2,637,974	13,352,726
Total expenditures	112,716,000	112,716,000	11,133,545	101,582,455
Excess (deficiency) of revenues over expenditures	(1,631,500)	(1,631,500)	155,177	1,786,677
Fund balance, beginning of year	1,750,500	1,750,500	3,394,719	1,644,219
Fund balance, end of year	\$ 119,000	\$ 119,000	\$ 3,549,896	\$ 3,430,896

Certain expenditures recorded in this fund did not meet the \$5,000 minimum for capitalization as a capital asset. As such, \$1,518,001 presented above was reclassified as materials and services for financial statement purposes.

**Reconciliation of Excess of Revenues Over Expenditures
on a Non-GAAP Budgetary Basis to
Changes in Net Position on a GAAP Basis
For the fiscal year ended June 30, 2014**

Excess (deficiency) of revenues over expenditures	
General Fund	\$ 1,984,175
Accessible Services Fund	(39,792)
Medicaid Fund	1,415
Capital Projects Fund	<u>155,177</u>
Total excess (deficiency) of revenues over expenditures	<u>2,100,975</u>
Reconciling items	
Depreciation	(10,519,936)
Acquisition of capital assets	9,615,544
OPEB expense	(555,778)
Contribution in excess of annual required contribution	77,217
Compensated absences accrual	969,753
Insurance reserve accrual	(54,000)
Gain on disposal of assets	<u>13,052</u>
Total reconciling items	<u>(454,148)</u>
Change in net position on a GAAP basis	<u>\$ 1,646,827</u>

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STATISTICAL SECTION

This part of the Lane Transit 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.

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 comprehensive annual financial reports for the relevant year.

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Financial Trend Information

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**Comparative Statements of Net Position
Last Ten Years At June 30**

	2014	2013	2012	Restated 2011	2010	2009	2008	2007	2006	2005
Assets										
Current assets	\$ 41,747,999	\$ 37,774,109	\$ 30,346,275	\$ 28,380,179	\$ 25,404,558	\$ 26,310,655	\$ 27,312,219	\$ 26,585,090	\$ 29,034,981	\$ 27,721,741
Capital assets, net of accumulated depreciation	113,337,904	114,242,299	122,613,663	113,197,851	110,201,071	92,451,905	87,082,507	81,869,746	68,817,518	61,832,700
Other assets	1,145,922	1,088,705	1,006,960	700,000	-	2,083	8,333	14,583	20,833	27,083
Total assets	\$ 156,231,825	\$ 153,085,113	\$ 153,966,898	\$ 142,278,030	\$ 135,605,629	\$ 118,764,643	\$ 114,403,059	\$ 108,469,419	\$ 97,873,332	\$ 89,581,524
Liabilities										
Current liabilities	\$ 10,036,528	\$ 9,926,804	\$ 8,224,324	\$ 6,160,791	\$ 8,273,281	\$ 7,597,959	\$ 8,614,294	\$ 4,187,540	\$ 4,989,413	\$ 4,744,166
Noncurrent liabilities	5,558,056	4,167,895	3,505,481	2,991,988	2,394,610	1,753,891	1,044,793	3,978,388	940,672	865,577
Total liabilities	15,594,584	14,094,699	11,729,805	9,152,779	10,667,891	9,351,850	9,659,087	8,165,928	5,930,085	5,609,743
Net position										
Investment in capital assets	113,337,904	114,242,299	122,613,660	113,197,851	110,201,071	92,451,905	84,082,507	78,869,746	68,817,518	61,832,700
Restricted for Accessible Services and Medicaid programs	398,255	436,632	491,306	456,115	449,066	302,918	529,014	80,911	80,215	95,695
Unrestricted	26,901,082	24,311,483	19,132,127	19,471,285	14,287,601	16,657,970	20,132,451	21,352,834	23,045,514	22,043,386
Total net position	140,637,241	138,990,414	142,237,093	133,125,251	124,937,738	109,412,793	104,743,972	100,303,491	91,943,247	83,971,781
Total liabilities and net position	\$ 156,231,825	\$ 153,085,113	\$ 153,966,898	\$ 142,278,030	\$ 135,605,629	\$ 118,764,643	\$ 114,403,059	\$ 108,469,419	\$ 97,873,332	\$ 89,581,524

**Changes in Net Position
Last Ten Years Ended June 30**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operations				Restated						
Fixed route				2011						
Revenue	\$ 7,733,140	\$ 7,640,918	\$ 7,608,840	\$ 8,150,989	\$ 7,933,611	\$ 7,723,787	\$ 7,320,990	\$ 6,226,293	\$ 5,961,498	\$ 5,248,594
Expense	(37,238,263)	(35,813,713)	(34,411,349)	(33,880,028)	(34,792,955)	(33,118,646)	(31,952,517)	(29,498,214)	(26,988,032)	(25,314,811)
Total fixed route	(29,505,123)	(28,172,795)	(26,802,509)	(25,729,059)	(26,859,344)	(25,394,859)	(24,631,527)	(23,271,921)	(21,006,534)	(20,066,217)
Accessible Services and Medicaid										
Revenue	9,857,780	9,394,430	8,069,191	8,172,584	7,859,572	6,120,502	3,408,944	1,713,431	1,415,320	1,258,544
Expense	(12,314,118)	(10,841,746)	(9,965,985)	(9,561,690)	(8,571,459)	(8,465,040)	(5,052,516)	(3,444,646)	(2,748,356)	(2,436,648)
Total Accessible Services	(2,456,338)	(1,447,316)	(1,896,794)	(1,389,106)	(711,887)	(2,344,538)	(1,643,572)	(1,731,215)	(1,333,036)	(1,178,104)
Loss from operations	(31,961,461)	(29,620,111)	(28,699,303)	(27,118,165)	(27,571,231)	(27,739,397)	(26,275,099)	(25,003,136)	(22,339,570)	(21,244,321)
Nonoperating revenues										
Employer payroll tax	25,374,737	24,891,777	23,047,471	22,197,770	21,424,079	22,169,137	23,303,571	22,162,590	21,416,021	20,168,976
Self-employment tax	1,647,329	1,576,826	1,507,575	1,440,902	1,381,109	1,444,342	1,618,655	1,543,520	1,512,419	1,153,652
State payroll assessment	1,914,665	1,941,063	1,869,854	1,740,509	1,755,311	1,490,098	1,432,590	1,338,318	1,236,672	1,227,385
Federal assistance	5,993,929	6,563,936	5,431,231	4,008,381	6,567,015	572,074	639,972	439,135	775,223	556,797
State assistance	723,888	-	1,992	350	-	-	-	-	-	33,728
Interest	85,619	77,171	62,653	60,462	56,200	293,980	686,566	900,290	730,232	395,673
Other revenues	366,327	325,339	276,975	497,739	343,208	306,755	118,835	169,956	360,292	174,657
Total nonoperating revenues	36,106,494	35,376,112	32,197,751	29,946,113	31,526,922	26,276,386	27,800,189	26,553,909	26,030,859	23,710,968
Income (loss) before capital contributions	4,145,033	5,756,001	3,498,448	2,827,948	3,955,691	(1,463,011)	1,525,090	1,550,673	3,691,289	2,466,547
Capital contributions										
Federal and state grants for capital acquisition	8,564,456	2,165,876	16,366,583	14,887,318	22,568,387	13,542,263	9,713,840	11,534,698	10,593,169	9,234,260
Changes in net position before depreciation, OPEB expense, and gain (loss) on sale of assets	12,709,489	7,921,877	19,865,031	17,715,266	26,524,078	12,079,252	11,238,930	13,085,371	14,284,458	11,700,807
Depreciation	(10,519,936)	(10,561,286)	(10,169,031)	(9,557,098)	(7,313,600)	(6,781,286)	(6,805,823)	(4,738,055)	(6,323,287)	(5,501,002)
OPEB expense	(555,778)	(614,905)	(586,592)	(641,742)	(624,953)	(635,353)	-	-	-	-
Gain (loss) on disposal of capital assets	13,052	7,635	2,434	(28,913)	(3,060,580)	6,208	7,374	12,928	10,295	10,508
Changes in net position	\$ 1,646,827	\$ (3,246,679)	\$ 9,111,842	\$ 7,487,513	\$ 15,524,945	\$ 4,668,821	\$ 4,440,481	\$ 8,360,244	\$ 7,971,466	\$ 6,210,313

Total Debt Outstanding
Last Ten Years

	<u>Outstanding at June 30</u>
2014	\$ -
2013	-
2012	-
2011	-
2010	-
2009	-
2008	3,000,000
2007	3,000,000
2006	-
2005	-

**Schedule of District Contributions Toward Pension Required Contributions
Last Ten Years At June 30**

Contributions to the Lane Transit District Employee's Retirement Plan (Part 1)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Covered payroll	\$ 5,226,297	\$ 5,214,746	\$ 5,092,690	\$ 5,187,894	\$ 5,463,292	\$ 5,463,589	\$ 5,130,173	\$ 4,774,027	\$ 4,630,506	\$ 4,310,301
Employer-required contribution rate	n/a	n/a	18.3%	18.3%	16.8%	16.8%	16.5%	16.5%	13.3%	13.3%
Normal cost contribution rate	11.5%	11.5%	n/a							
Actual LTD rate of covered payroll	11.5%	11.5%	20.2%	18.3%	16.8%	20.9%	16.5%	16.5%	13.3%	13.3%
Employer level dollar payment	556,426	556,426	n/a							
Annual required contribution (ARC)	1,157,450	1,156,122	931,962	949,385	918,391	917,967	846,480	784,355	614,912	573,928
Actual LTD contributions	1,154,749	1,156,127	1,026,587	949,698	918,391	1,142,967	846,480	784,355	614,912	573,928
Contribution in excess (deficit) of ARC	(2,701)	5	94,625	313	-	225,000	-	-	-	-
Percentage of ARC contributed	100%	100%	110%	100%	100%	125%	100%	100%	100%	100%
Annual pension cost	1,164,360	1,162,450	931,592	949,016	917,500	1,142,967	846,480	784,355	614,912	573,928
Percentage of annual pension cost contributed	99%	99%	110%	100%	100%	100%	100%	100%	100%	100%
Change in net pension obligation	9,611	6,323	(94,995)	(682)	-	-	-	-	-	-
Net pension obligation (asset)	(305,768)	(315,379)	(321,702)	(226,707)	-	-	-	-	-	-

restated
2011

Contributions to the Lane Transit District and Amalgamated Transit Union, Local No. 757, Pension Trust

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Covered payroll	\$ 10,625,261	\$ 10,629,043	\$ 10,288,538	\$ 10,998,431	\$ 11,724,870	\$ 11,171,828	\$ 10,953,639	\$ 10,419,432	\$ 9,633,000	\$ 9,513,410
Covered hours	457,590	455,330	465,130	475,242	522,220	525,700	504,200	508,400	480,800	484,000
Annual required rate per hour	4.66	4.68	4.26	4.28	3.69	3.69	3.21	2.85	2.35	2.05
Actual LTD rate per hour	4.89	4.89	4.70	4.28	3.69	3.69	3.21	2.85	2.35	2.05
Annual required contribution (ARC)	2,132,369	2,130,945	1,981,455	2,034,036	1,926,992	1,939,870	1,618,642	1,448,985	1,130,096	992,252
Actual LTD contributions	2,234,627	2,228,856	2,193,790	2,034,037	1,926,992	2,414,870	1,618,642	1,448,985	1,130,096	992,252
Contribution in excess of ARC	102,258	97,911	212,335	1	-	475,000	-	-	-	-
Percentage of ARC contributed	105%	105%	110%	100%	100%	125%	100%	100%	100%	100%
Annual pension cost	2,147,799	2,144,650	1,987,448	2,040,108	1,933,100	2,414,870	1,618,642	1,448,985	1,130,096	992,252
Percentage of annual pension cost contributed	104%	104%	110%	100%	100%	100%	100%	100%	100%	100%
Change in net pension obligation	(86,828)	(84,206)	(206,342)	6,071	-	-	-	-	-	-
Net pension obligation (asset)	(840,154)	(753,326)	(669,120)	(462,778)	-	-	-	-	-	-

restated
2011

Total Contributions

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total covered payroll	15,851,558	15,843,789	15,381,228	16,186,325	17,188,162	16,635,416	16,083,812	15,193,459	14,263,506	13,823,711
Total ARC	3,289,819	3,287,067	2,913,417	2,983,421	2,845,383	2,857,837	2,465,122	2,233,340	1,745,008	1,566,180
Total LTD contributions	3,389,376	3,384,983	3,220,377	2,983,735	2,845,383	3,557,837	2,465,122	2,233,340	1,745,008	1,566,180
Percentage of ARC contributed	103%	103%	110%	100%	100%	125%	100%	100%	100%	100%

restated
2011

*Demographic and Economic
Information*

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**Principal Employers of Lane County
Current Year and Seven Years Ago¹**

Employer	2014			2007 ¹		
	Employees	Rank	Percentage of Lane County Employment	Employees	Rank	Percentage of Lane County Employment
PeaceHealth Oregon	5,500	1	3.7%	4,300	1	2.7%
University of Oregon	5,356	2	3.6%	3,676	2	2.3%
U.S. Government	1,558	3	1.1%	1,800	5	1.1%
Symantec	1,429	4	1.0%			
Springfield School District	1,306	5	0.9%	1,162	8	0.7%
City of Eugene	1,301	6	0.9%	1,452	7	0.9%
Lane County	1,255	7	0.8%	1,786	6	1.1%
State of Oregon	1,156	8	0.8%	1,100	9	0.7%
Eugene School District	1,138	9	0.8%	2,025	4	1.3%
Lane Community College	1,128	10	0.8%	2,531	3	1.6%
McKenzie-Willamette Medical Center				750	10	0.5%
	<u>21,127</u>		<u>14.2%</u>	<u>20,582</u>		<u>13.1%</u>
Total Employees	<u>148,300</u>			<u>156,800</u>		

¹Data from nine years ago (2005), as required per governmental accounting standards, is not available.

Source: Eugene Chamber of Commerce and Oregon Employment Department

**Demographic and Economic Statistics
Last Ten Years**

Fiscal Year	Lane Transit District Population (a)	Lane County, Oregon			
		Population (c)	Personal Income (,000) (c)	Per Capita Income (c)	Unemployment Rate (d)
2005	281,000	335,830	10,096,400	30,064	6.3%
2006	283,300	339,930	11,005,200	32,375	5.4%
2007	286,400	344,845	11,406,100	33,076	5.0%
2008	289,300	348,175	12,014,900	34,508	5.8%
2009	291,600	350,855	11,370,100	32,407	12.5%
2010	296,243	351,870	11,679,700	33,193	10.8%
2011	296,300	353,415	12,214,300	34,561	9.5%
2012	297,500	354,545	12,742,734	35,941	8.5%
2013	298,300	NA	NA	NA	8.1%
2014	300,000	NA	NA	NA	6.7%

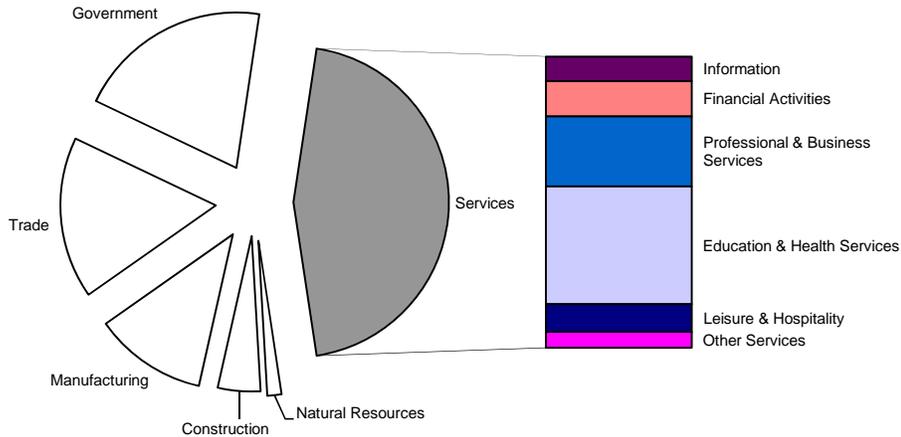
Notes

- a. District population in census years determined by Lane Council of Governments from U.S. Census Bureau census tract information. Intervening years are an estimate using information from the Census and the annual population estimates published by the Population Research Center at Portland State University.
- b. Reported population of communities within District boundaries of Eugene, Springfield, Cottage Grove, Creswell, Veneta, Junction City, and Lowell.

Source

- c. Bureau of Economic Analysis, U.S. Department of Commerce.
- d. Bureau of Labor Statistics, U.S. Department of Labor. Rates presented are annualized for the calendar year.

Lane County 2013 Covered Payroll

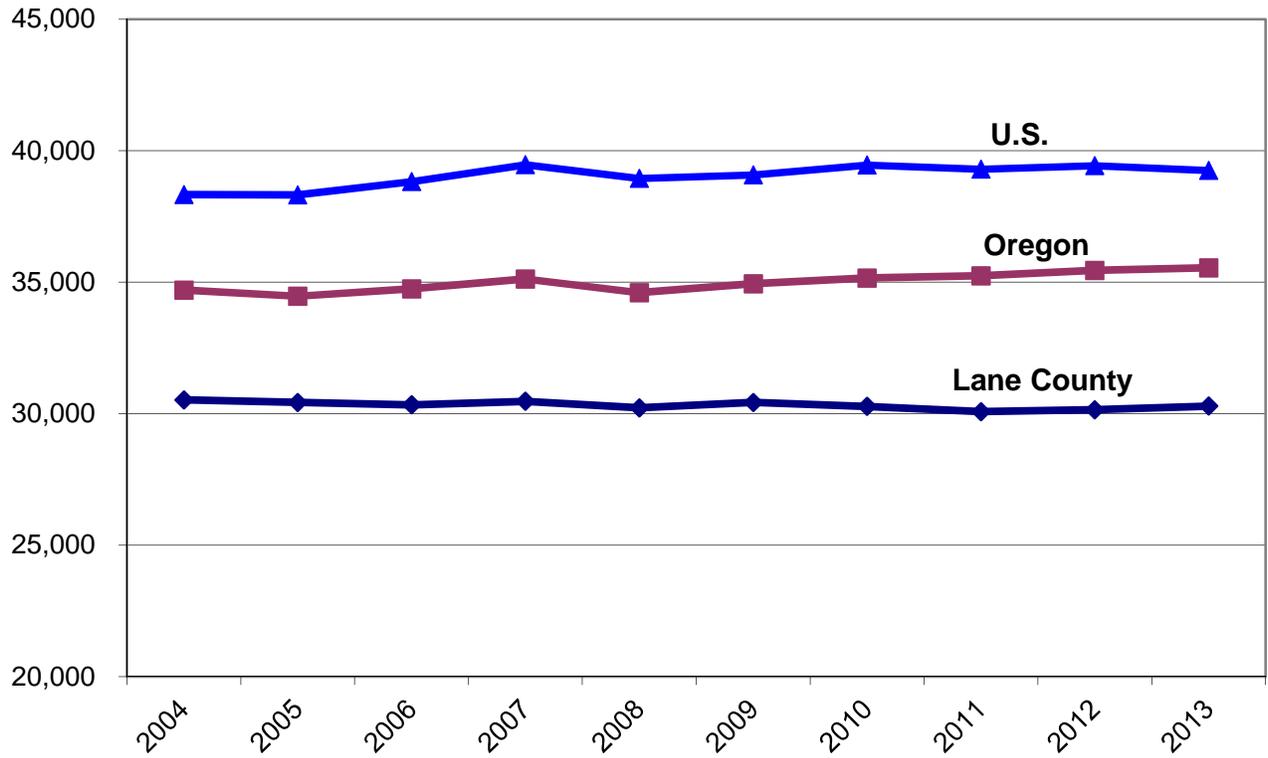


2013 Covered Employment and Wages Summary Report for Lane County

	Covered Employment			Covered Payroll		Average Pay
	Units	Count	Percent	Total in Millions	Percent	
Natural Resources	236	2,202	1.6%	\$ 79	1.5%	\$ 35,695
Construction	882	5,225	3.8%	\$ 234	4.4%	\$ 44,876
Manufacturing	543	12,576	9.1%	\$ 625	11.7%	\$ 49,675
Trade	1,976	27,616	19.9%	\$ 894	16.8%	\$ 32,385
Service						
Information	155	3,364	2.4%	\$ 203	3.8%	\$ 60,210
Financial Activities	1,021	6,118	4.4%	\$ 292	5.5%	\$ 47,712
Professional & Business Services	1,597	14,806	10.7%	\$ 579	10.9%	\$ 39,125
Education & Health Services	1,291	22,417	16.2%	\$ 973	18.3%	\$ 43,398
Leisure & Hospitality	1,048	15,047	10.8%	\$ 229	4.3%	\$ 15,226
Other Services	1,628	5,273	3.8%	\$ 131	2.5%	\$ 24,874
Total Service	6,740	67,025	48.3%	\$ 2,407	45.3%	\$ 35,910
Government	391	24,045	17.3%	\$ 1,080	20.3%	\$ 44,920
Total 2013 Covered Employment	10,768	138,689	100.0%	\$ 5,319	100.0%	\$ 38,353

Source: Oregon Employment Department

Inflation Adjusted Annual Average Wages (2003 Dollars)



Source: Oregon Employment Department

Eugene-Springfield Metropolitan Statistical Area (Lane County) Economic Data Sheet

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total population	356,125	354,200	353,155	352,010	350,952	348,804	345,726	341,988	337,995	334,922
Civilian labor force	172,339	175,610	179,503	181,291	183,215	183,803	181,401	178,147	174,568	173,279
Unemployment	13,163	15,322	17,430	20,034	22,232	12,335	9,428	9,692	10,772	12,598
Unemployment rate	7.6%	8.7%	9.7%	11.1%	12.1%	6.7%	5.2%	5.4%	6.2%	7.3%
Total employment	159,176	160,288	162,073	161,257	160,983	171,468	171,973	168,455	163,796	160,681
Total nonfarm employment	143,700	141,800	141,100	140,900	142,100	154,500	156,800	154,000	149,900	145,100
Labor-management disputants	0	0	0	0	0	0	0	0	0	0
Percent annual change	1.3%	0.5%	0.1%	-0.8%	-8.0%	-1.5%	1.8%	2.7%	3.3%	2.2%
Total personal income (millions)	n/a	\$12,742.7	\$12,235.6	\$11,669.8	\$11,572.8	\$11,848.2	\$11,450.0	\$11,085.4	\$10,191.5	\$9,649.0
Percent annual change	n/a	4.1%	4.8%	80.0%	-2.3%	3.5%	3.3%	8.8%	5.6%	6.4%
Per capita personal income - Lane County	n/a	\$35,941	\$34,614	\$33,160	\$32,985	\$34,029	\$33,203	\$32,611	\$30,347	\$29,035
Per capita personal income - Oregon	\$40,233	\$39,166	\$37,744	\$35,869	\$35,621	\$36,772	\$35,796	\$34,644	\$32,542	\$31,597
Per capita personal income - U.S.	\$44,543	\$43,735	\$42,298	\$40,163	\$39,357	\$40,873	\$39,804	\$38,127	\$35,888	\$34,300
As percent of Oregon	n/a	92%	92%	92%	93%	93%	93%	94%	93%	92%
As percent of U.S.	n/a	82%	82%	83%	84%	83%	83%	86%	85%	85%
Total covered payroll (millions)	\$5,319.4	\$5,148.6	\$4,987.2	\$4,829.6	\$4,814.6	\$5,225.4	\$5,185.8	\$4,947.8	\$4,691.1	\$4,371.3
Percent annual change	3.3%	3.2%	3.3%	0.3%	-7.9%	0.8%	4.8%	5.5%	7.3%	5.6%
Average annual wage - Lane County	\$38,353	\$37,617	\$36,778	\$35,889	\$35,475	\$35,363	\$34,324	\$33,240	\$32,302	\$31,339
Average annual wage - Oregon	\$45,009	\$44,229	\$43,077	\$41,669	\$40,742	\$40,486	\$39,564	\$38,070	\$36,593	\$35,627
Average annual wage - U.S.	\$49,700	\$49,700	\$48,043	\$46,751	\$45,559	\$45,563	\$44,458	\$42,535	\$40,677	\$39,354
As percent of Oregon	85%	85%	85%	86%	87%	87%	87%	87%	88%	88%
As percent of U.S.	77%	76%	77%	77%	78%	78%	77%	78%	79%	80%
Inflation adjusted wages and income (2002 Dollars)	232,957	229,594	224,939	218,056	214,537	215.3	207.3	201.6	195.3	188.9
CPI-U; U.S. city average	0.7898	0.8014	0.8180	0.8438	0.8577	0.8546	0.8876	0.9127	0.9421	0.9741
Blow-up factor; 2002 = 100	\$4,200.0	\$4,130.0	\$4,080.0	\$4,080.0	\$4,130.0	\$4,470.0	\$4,600.0	\$4,520.0	\$4,420.0	\$4,260.0
Inflation adjusted total covered payroll (millions)	1.7%	1.2%	0.0%	-1.2%	-7.6%	-2.8%	1.8%	2.3%	3.8%	2.9%
Percent annual change	\$30,290	\$30,150	\$30,080	\$30,280	\$30,430	\$30,220	\$30,470	\$30,340	\$30,430	\$30,550
Inflation adjusted average annual wage - Lane County	\$35,550	\$35,450	\$35,240	\$35,160	\$34,940	\$34,600	\$35,120	\$34,750	\$34,470	\$34,700
Inflation adjusted average annual wage - Oregon	\$39,250	\$39,430	\$39,300	\$39,450	\$39,080	\$38,940	\$39,460	\$38,820	\$38,320	\$38,330
Inflation adjusted average annual wage - U.S.	NA	28800	\$28,310	\$27,980	\$28,290	\$29,080	\$29,470	\$29,760	\$28,590	\$28,260
Inflation adjusted per capita personal income - Lane County	\$31,780	\$31,390	\$30,870	\$30,270	\$30,550	\$31,430	\$31,770	\$31,620	\$30,660	\$30,780
Inflation adjusted per capita personal income - Oregon	\$35,180	\$35,050	\$34,600	\$33,890	\$33,760	\$34,930	\$35,330	\$34,800	\$33,810	\$33,410

Source: Oregon Employment Department

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Operating Information

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**Expenditures and Full-Time Equivalent Employees (FTEs) by Organizational Units
Budgetary Basis
Last Ten Fiscal Years Ended June 30**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operations				Restated						
Transportation	\$ 17,775,567	\$ 17,278,362	\$ 16,942,573	\$ 16,670,775	\$ 17,382,338	\$ 17,136,681	\$ 16,164,511	\$ 15,121,010	\$ 13,711,174	\$ 13,415,302
Percent of total operations	36.3%	37.6%	38.3%	39.1%	41.7%	41.6%	44.2%	42.1%	46.1%	48.5%
FTEs at end of period	202.0	202.0	196.0	182.0	218.0	220.0	230.0	222.0	216.0	206.0
Maintenance	9,712,732	9,472,080	9,720,961	9,120,608	8,273,970	8,294,280	8,774,908	7,639,613	7,021,403	6,095,926
Percent of total operations	19.8%	20.6%	22.0%	21.4%	19.9%	20.1%	24.0%	21.3%	23.6%	22.1%
FTEs at end of period	51.1	51.3	51.3	50.3	52.3	52.3	53.3	53.3	52.3	50.8
Customer Service, Marketing and Planning	3,733,361	3,150,530	2,314,056	2,086,436	2,095,936	2,120,225	1,909,113	5,137,385	1,776,182	1,558,854
Percent of total operations	7.6%	6.9%	5.2%	4.9%	5.0%	5.1%	5.2%	14.3%	6.0%	5.6%
FTEs at end of period	22.2	22.3	20.9	18.2	19.2	19.2	19.2	19.2	21.2	19.2
Administration	4,406,890	4,002,512	4,249,252	4,190,798	4,193,529	4,068,295	3,856,919	3,592,291	3,423,425	3,118,413
Percent of total operations	9.0%	8.7%	9.6%	9.8%	10.1%	9.9%	10.5%	10.0%	11.5%	11.3%
FTEs at end of period	35.0	31.0	31.5	32.0	34.0	34.0	35.0	32.8	31.4	33.4
Insurance and Risk	1,084,682	1,224,832	1,083,175	1,054,273	1,140,688	1,110,076	851,032	1,003,228	894,346	1,014,685
Percent of total operations	2.2%	2.7%	2.4%	2.5%	2.7%	2.7%	2.3%	2.8%	3.0%	3.7%
FTEs at end of period	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accessible Services and Medicaid	12,314,118	10,841,746	9,965,985	9,561,690	8,571,459	8,465,040	5,052,516	3,444,846	2,928,999	2,436,648
Percent of total operations	25.1%	23.6%	22.5%	22.4%	20.6%	20.5%	13.8%	9.6%	9.8%	8.8%
FTEs at end of period	3.0	3.0	3.4	3.0	3.0	3.0	4.0	3.0	1.6	1.6
Total operations	49,027,350	45,970,062	44,276,002	42,684,580	41,657,920	41,194,597	36,608,999	35,938,373	29,755,529	27,639,828
Total FTEs at end of period	313.3	309.5	303.0	285.5	326.5	328.5	341.5	330.2	322.5	311.0
Capital transfers from General Fund	1,792,700	1,600,000	3,031,900	-	-	1,752,000	2,211,600	-	2,605,600	1,245,800
Capital transfers from Accessible Services Fund	-	7,236	25,062	4,769	33,899	-	12,979	109,144	13,221	93,835
Total operations and capital transfers	\$ 50,820,050	\$ 47,577,298	\$ 47,332,964	\$ 42,689,349	\$ 41,691,819	\$ 42,946,597	\$ 38,833,578	\$ 36,047,517	\$ 32,374,350	\$ 28,979,463

Capital Asset Statistics
Last Ten Years Ended June 30

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Miles of busway	8.45	8.45	8.45	8.45	1.71	1.71	1.71	1.71	-	-
Rolling stock										
40-foot buses	79	79	113	89	97	97	97	114	89	101
60-foot buses	15	15	15	15	12	15	15	5	5	-
< 40-foot buses	6	6	6	6	7	7	7	11	11	17
EmX vehicles	11	11	11	11	11	6	6	6	-	-
Total rolling stock	111	111	145	121	127	125	125	136	105	118
Accessible Services vehicles	82	82	95	83	80	67	70	68	54	57
Primary stations	2	2	2	2	2	2	2	2	2	2
EmX station platforms	28	28	28	28	10	10	10	10	-	-
Other stations	9	9	9	9	9	9	9	9	9	9
Shelters	193	193	193	193	193	193	217	218	195	217
Signed stops	1,262	1,261	1,261	1,387	1,517	1,511	1,511	1,511	1,501	1,507
Maintenance facility	1	1	1	1	1	1	1	1	1	1
Administration facility	1	1	1	1	1	1	1	1	1	1
Brokerage/paratransit facility	1	1	1	1	1	1	1	1	1	1

Operating Revenue & Cost Measurements - Fixed-Route System Last Ten Fiscal Years

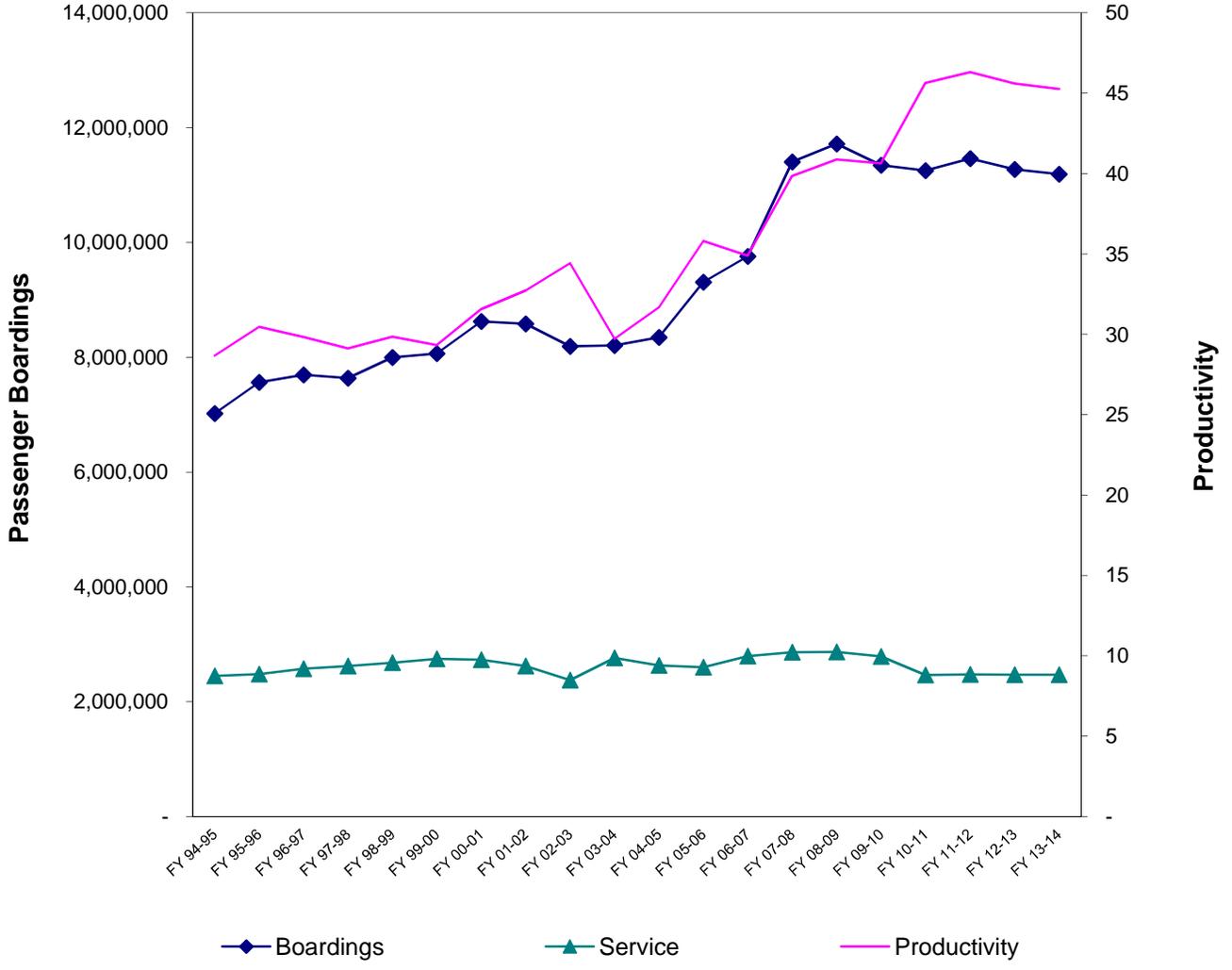
Fiscal Year	Operating* Revenues	Operating* Expenses	Revenue Margin	Revenue Hours	Percent Change	Operating Revenue / Service Hour	Percent Change	Operating Expenses / Revenue Hour	Percent Change
2013-14	\$ 7,733,140	\$ 37,238,263	20.8%	247,286	0.0%	\$31.27	1.2%	\$150.59	4.0%
2012-13	7,640,918	35,813,713	21.3%	247,303	-0.1%	30.90	0.5%	144.82	4.1%
2011-12	7,608,840	34,411,349	22.1%	247,480	0.4%	30.75	-7.0%	139.05	1.2%
2010-11	8,150,969	33,880,028	24.1%	246,556	-11.7%	33.06	16.4%	137.41	10.3%
2009-10	7,933,611	34,792,955	22.8%	279,241	-2.6%	28.41	5.4%	124.60	7.8%
2008-09	7,723,787	33,118,646	23.3%	286,654	0.1%	26.94	5.3%	115.54	3.5%
2007-08	7,320,990	31,952,517	22.9%	286,226	2.3%	25.58	14.9%	111.63	5.8%
2006-07	6,226,293	29,498,214	21.1%	279,688	7.6%	22.26	-2.9%	105.47	1.7%
2005-06	5,961,498	26,968,032	22.1%	259,985	-1.3%	22.93	15.1%	103.73	8.0%
2004-05	5,248,594	25,314,811	20.7%	263,537	-4.6%	19.92	4.5%	96.06	13.4%

Fiscal Year	Employees	Revenue Hours / Employees	Percent Change	Passenger Fares	Passenger Boardings	Passenger Fares / Boarding	Operating Expenses / Boarding	Percent Change	Revenue Hours / Trip
2013-14	313	790.05	-1.0%	\$ 6,948,609	11,192,854	0.62	3.33	4.8%	0.022
2012-13	310	797.75	-2.3%	6,914,308	11,276,282	0.61	3.18	5.8%	0.022
2011-12	303	816.77	-1.3%	6,738,397	11,463,124	0.59	3.00	-0.3%	0.022
2010-11	298	827.37	-7.0%	7,393,034	11,253,628	0.66	3.01	-1.8%	0.022
2009-10	314	889.30	4.2%	7,032,027	11,349,579	0.62	3.07	8.5%	0.025
2008-09	336	853.14	1.9%	6,602,497	11,718,189	0.56	2.83	0.9%	0.024
2007-08	342	836.92	0.8%	6,122,561	11,406,316	0.54	2.80	-7.3%	0.025
2006-07	337	829.93	0.2%	5,213,706	9,757,984	0.53	3.02	4.4%	0.029
2005-06	314	827.98	-0.4%	5,078,340	9,309,528	0.55	2.90	-4.5%	0.028
2004-05	317	831.35	-5.8%	4,378,336	8,348,313	0.52	3.03	6.4%	0.032

Fiscal Year	Miles	Operating Expenses / Mile	Percent Change	Fleet Maintenance Costs	Fleet Maintenance Cost / Mile	Percent Change	Fuel Cost	Fuel Cost / Mile	Percent Change
2013-14	3,534,864	10.535	3.3%	\$ 5,186,756	1.467	3.0%	\$ 2,580,822	0.730	-1.4%
2012-13	3,512,473	10.196	5.2%	5,002,973	1.424	-1.5%	2,601,015	0.741	-7.8%
2011-12	3,549,802	9.694	2.6%	5,134,802	1.447	3.0%	2,850,255	0.803	15.1%
2010-11	3,587,553	9.444	10.1%	5,040,041	1.405	11.7%	2,502,026	0.697	45.7%
2009-10	4,054,883	8.581	6.2%	5,100,175	1.258	6.5%	1,941,476	0.479	-9.3%
2008-09	4,097,838	8.082	3.1%	4,837,587	1.181	3.7%	2,162,213	0.528	-22.6%
2007-08	4,076,093	7.839	7.1%	4,638,977	1.138	7.1%	2,778,672	0.682	37.6%
2006-07	4,029,581	7.320	6.1%	4,281,047	1.062	0.2%	1,996,335	0.495	6.3%
2005-06	3,909,576	6.898	3.5%	4,145,377	1.060	4.3%	1,821,552	0.466	36.9%
2004-05	3,798,306	6.665	13.1%	3,861,994	1.017	7.1%	1,292,404	0.340	48.0%
2003-04	3,969,539	5.892	8.1%	3,769,973	0.950	7.2%	912,896	0.230	22.6%

*Excludes Accessible Services, depreciation, and OPEB expense

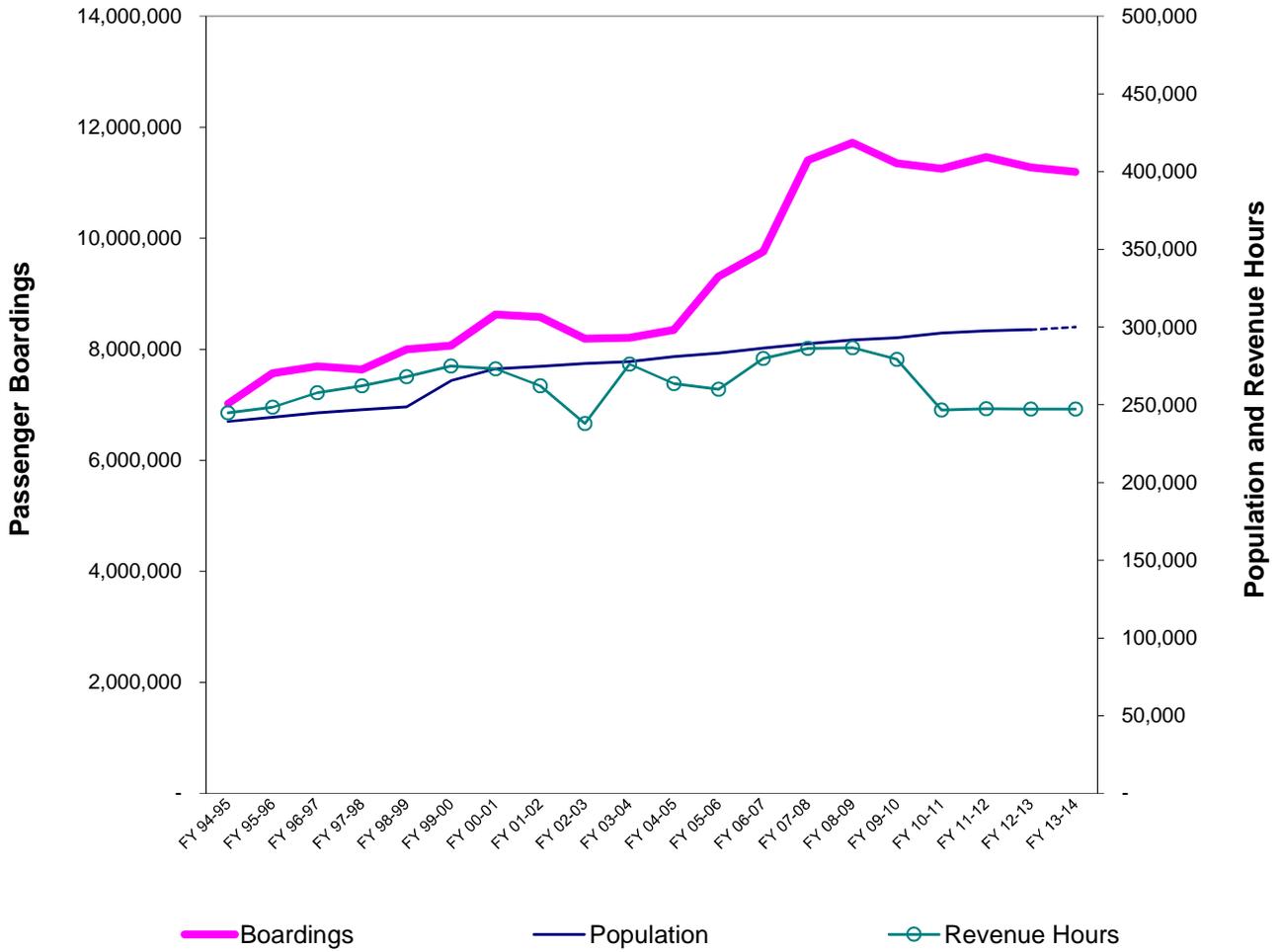
Ridership, Service, and Productivity Last Twenty Years



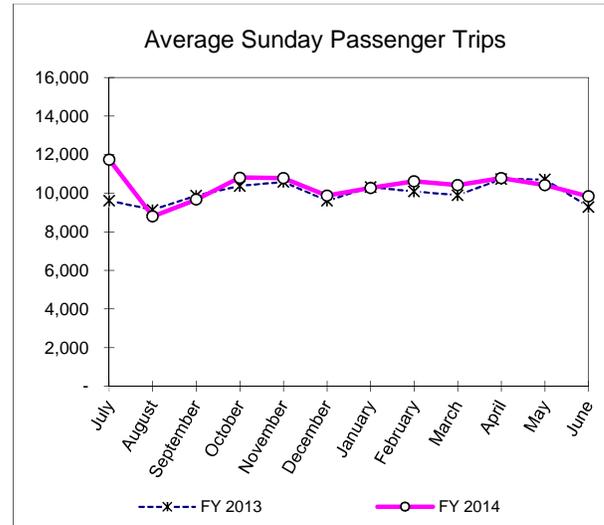
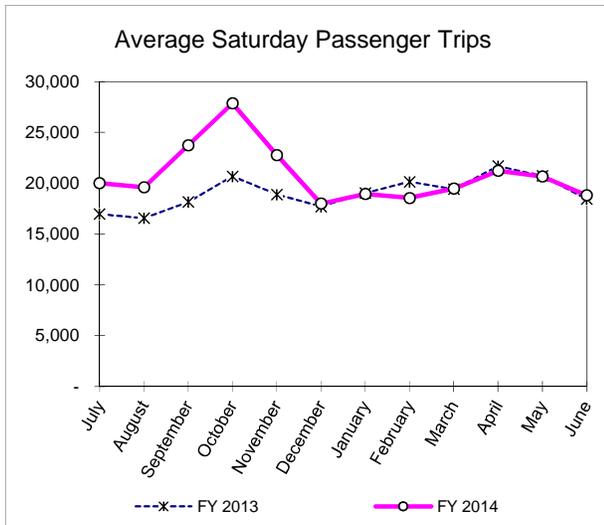
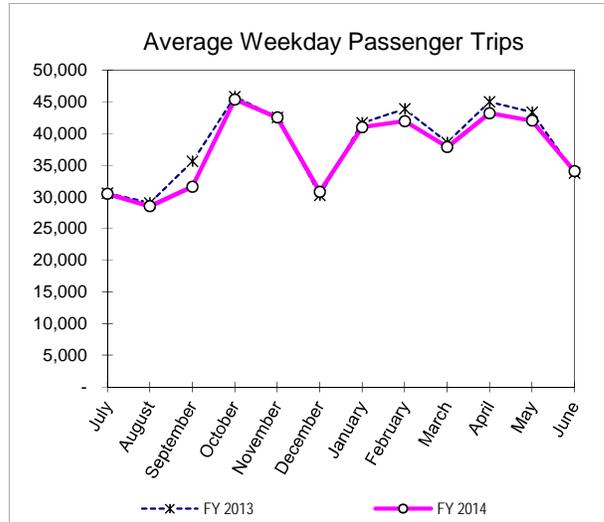
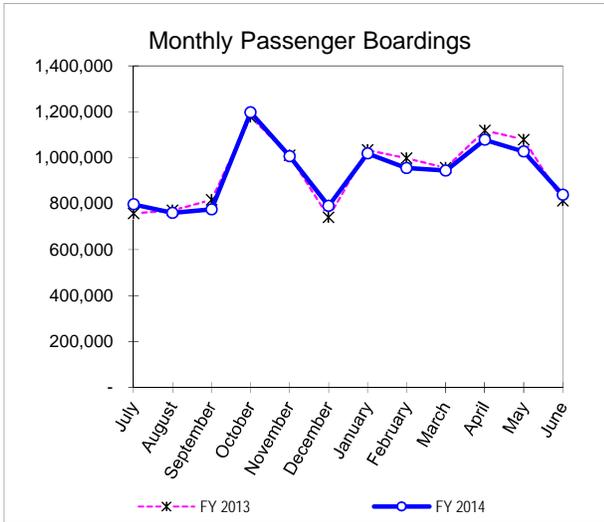
**Ridership, Fare, Service, and Productivity
Last Twenty One Years**

Fiscal Year	Revenue Hours	Percent Change	Passenger Boardings	Percent Change	System Productivity	Percent Change	Base Cash Fare
2013-14	247,286	0.0%	11,192,854	-0.7%	45.263	-0.73%	\$ 1.75
2012-13	247,303	-0.1%	11,276,282	-1.6%	45.597	-1.56%	1.75
2011-12	247,480	0.4%	11,463,124	1.9%	46.319	1.48%	1.50
2010-11	246,556	-11.7%	11,253,628	-0.8%	45.643	12.30%	1.50
2009-10	279,241	-2.6%	11,349,579	-3.1%	40.644	-0.57%	1.50
2008-09	286,654	0.1%	11,718,189	2.7%	40.879	2.58%	1.50
2007-08	286,226	2.3%	11,406,316	16.9%	39.851	14.22%	1.25
2006-07	279,688	7.6%	9,757,984	4.8%	34.889	-2.57%	1.25
2005-06	259,985	-1.3%	9,309,528	11.5%	35.808	13.04%	1.25
2004-05	263,537	-4.6%	8,348,313	1.7%	31.678	6.60%	1.25
2003-04	276,207	16.1%	8,207,818	0.2%	29.716	-13.67%	1.25
2002-03	237,949	-9.3%	8,190,436	-4.6%	34.421	5.18%	1.25
2001-02	262,242	-4.0%	8,582,138	-0.5%	32.726	3.64%	1.25
2000-01	273,102	-0.7%	8,623,496	6.9%	31.576	7.63%	1.00
1999-00	274,939	2.6%	8,066,108	0.8%	29.338	-1.70%	1.00
1998-99	267,986	2.2%	7,998,370	4.7%	29.846	2.49%	1.00
1997-98	262,223	1.7%	7,635,934	-0.8%	29.120	-2.42%	1.00
1996-97	257,821	3.8%	7,693,820	1.7%	29.842	-2.06%	0.80
1995-96	248,365	1.5%	7,567,219	7.8%	30.468	6.22%	0.80
1994-95	244,778	2.8%	7,021,069	5.8%	28.683	2.86%	0.80

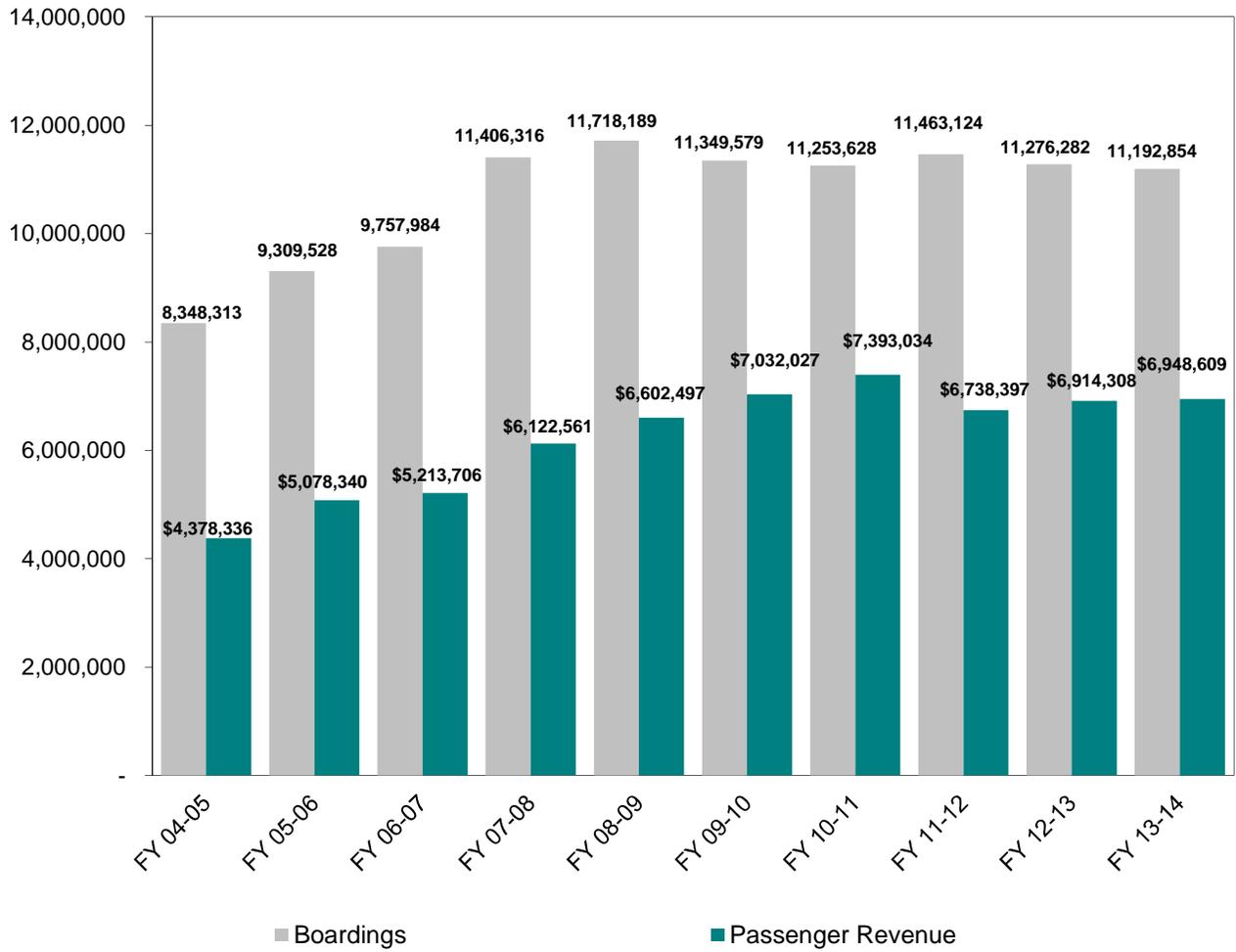
Ridership, Service, and Service Area Population Last Twenty Years



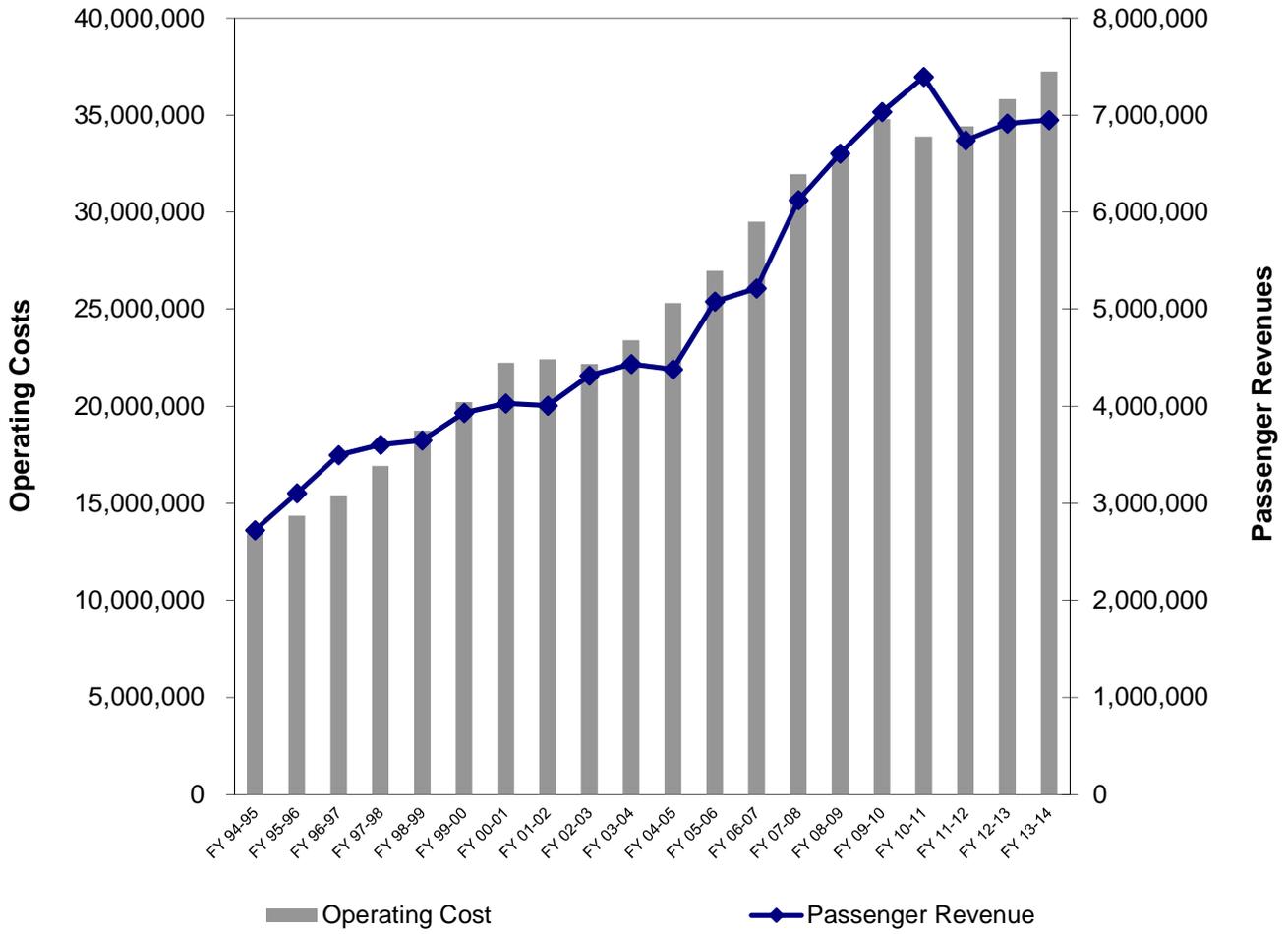
Ridership Trends by Month For the fiscal years ended June 30, 2014 and 2013



Passenger Boardings and Passenger Revenues Last Ten Years



Passenger Revenues and Operating Costs Last Twenty Years

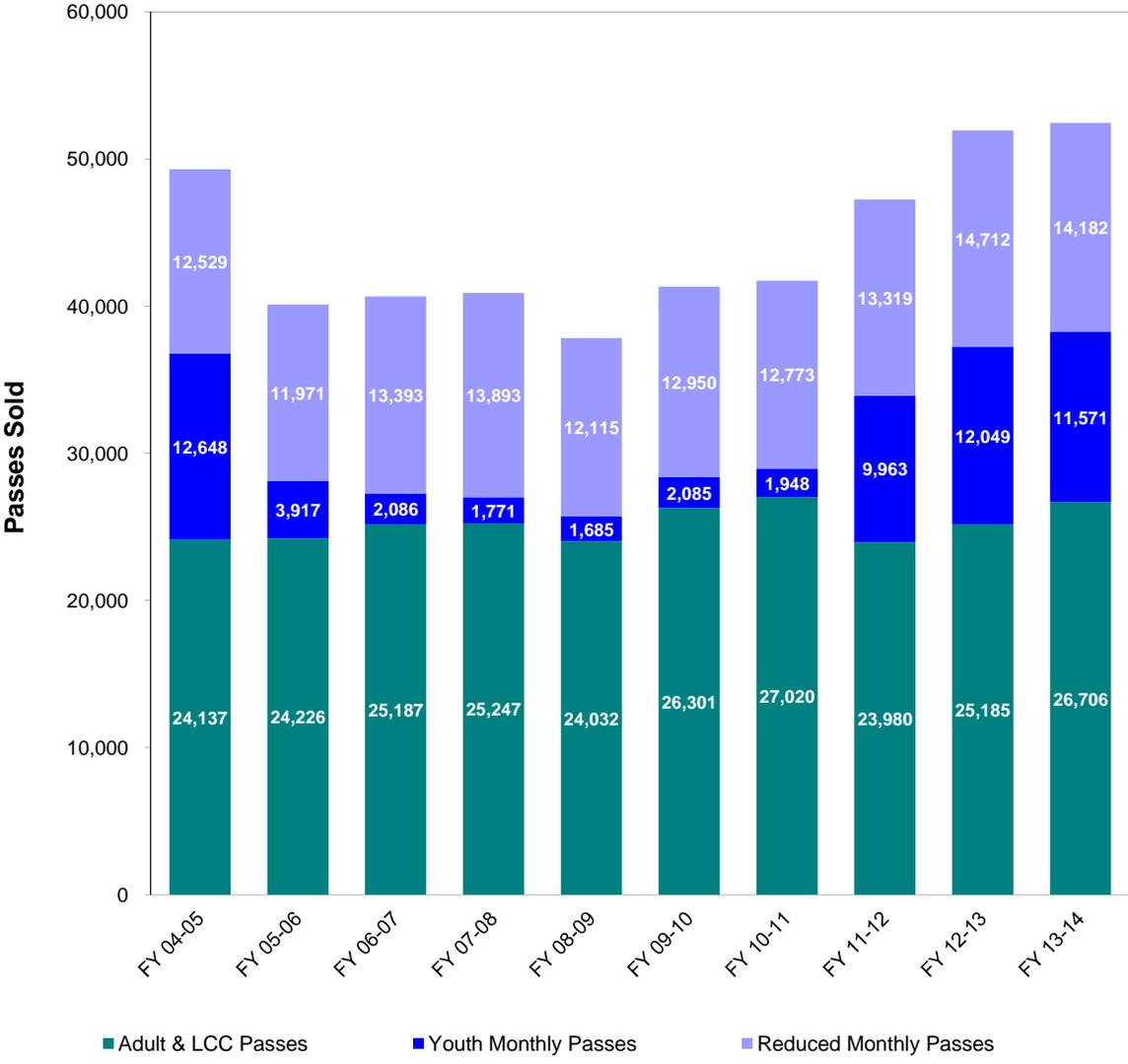


Transportation Revenues by Category Last Ten Years

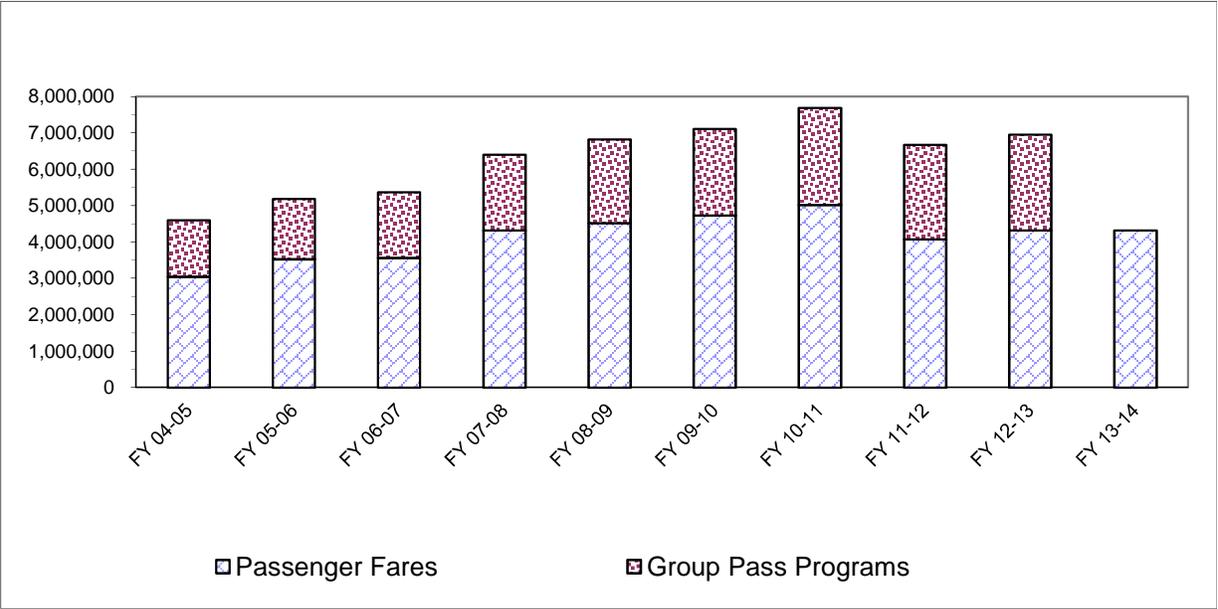
Fiscal Year	Fare Box Cash	Percentage Change	Ten-Ride Ticket Books and Agency Day Passes	Percentage Change	Tokens	Percentage Change	Monthly Passes	Percentage Change
2013-14	\$ 2,007,169	-3.6%	\$ 262,028	15.3%	\$ -	-	\$ 2,049,093	2.0%
2012-13	2,081,984	0.5%	227,321	46.1%	-	-	2,008,581	9.1%
2011-12	2,072,448	12.3%	155,643	34.1%	-	-	1,841,167	4.0%
2010-11	1,845,360	-2.6%	116,097	-	-	-100.0%	1,770,098	12.2%
2009-10	1,894,748	7.0%	-	-	55	-99.9%	1,578,238	5.3%
2008-09	1,770,345	13.9%	-	-	96,410	-64.9%	1,499,146	12.2%
2007-08	1,554,195	7.5%	-	-	274,558	22.5%	1,336,334	-29.5%
2006-07	1,446,082	4.1%	-	-	224,071	-0.1%	1,894,398	-1.3%
2005-06	1,388,934	2.8%	-	-	224,200	0.1%	1,918,774	29.9%
2004-05	1,351,440	-0.3%	-	-	224,034	-4.7%	1,477,164	-4.8%

Fiscal Year	Student Transit Pass Program	Percentage Change	Group Pass	Percentage Change	Special Service	Percentage Change	Total Transportation Revenues	Percentage Change
2013-14	\$ -	-	\$ 2,630,319	1.3%	\$ 324,531	-26.1%	\$ 7,273,140	-1.1%
2012-13	-	-	2,596,422	-2.7%	439,110	-25.4%	7,353,418	0.4%
2011-12	-	-100.0%	2,669,139	12.1%	588,943	22.1%	7,327,340	-7.0%
2010-11	1,281,331	1.9%	2,380,148	3.4%	482,435	-23.9%	7,875,469	2.7%
2009-10	1,257,585	8.9%	2,301,401	10.6%	634,084	-17.7%	7,666,111	4.0%
2008-09	1,155,335	0.3%	2,081,261	15.3%	769,994	-11.2%	7,372,491	5.5%
2007-08	1,152,276	-	1,805,198	9.5%	867,501	25.0%	6,990,062	18.3%
2006-07	-	-	1,649,155	6.6%	693,785	11.1%	5,907,491	3.6%
2005-06	-	-	1,546,432	16.7%	624,564	5.8%	5,702,904	14.8%
2004-05	-	-	1,325,698	2.4%	590,225	9.5%	4,968,561	-0.1%

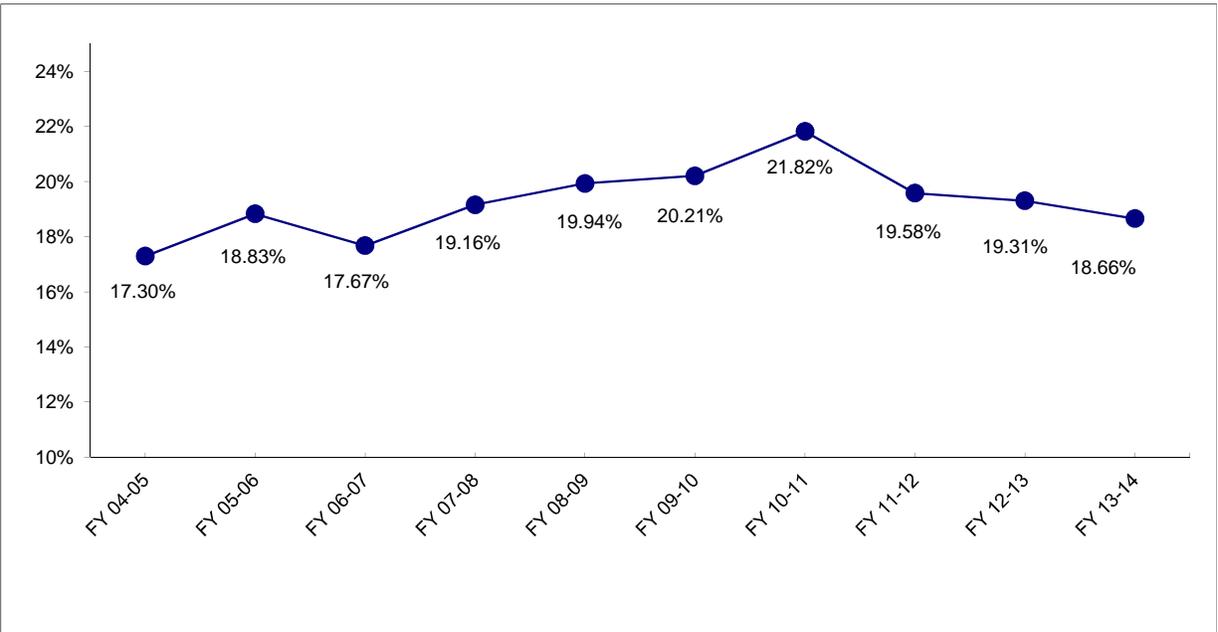
Annual Monthly Pass Sales Last Ten Years



Passenger Revenues



Farebox Recovery Ratio



Fare Structure Last Ten Years

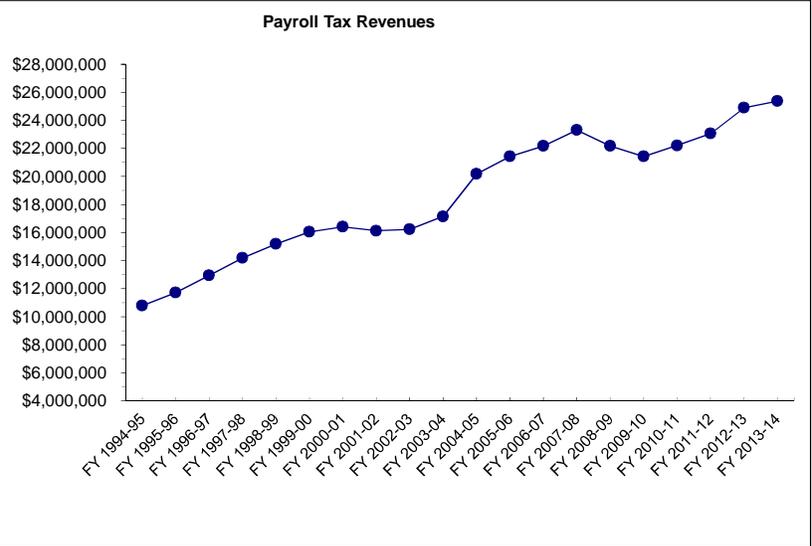
June 30	Cash Fare Adult	Age - Adult	Cash Fare Youth	Age - Youth	Cash Fare Senior	Age - Senior	Cash Fare Reduced	Age - Reduced
2014	\$ 1.75	19-64	\$ 0.85	6-18	\$ free	65 +	\$ 0.85	NA
2013	1.75	19-64	0.85	6-18	free	65 +	0.85	NA
2012	1.50	19-64	0.75	6-18	free	65 +	0.75	NA
2011	1.50	19-64	0.75	6-18	free	65 +	0.75	NA
2010	1.50	19-64	0.75	6-18	free	65 +	0.75	NA
2009	1.50	19-64	0.75	6-18	free	65 +	0.75	NA
2008	1.25	19-61	0.60	6-18	0.60	62-69	0.60	NA
2007	1.25	19-61	0.60	6-18	0.60	62-69	0.60	NA
2006	1.25	19-61	0.60	6-18	0.60	62-69	0.60	NA
2005	1.25	19-61	0.60	6-18	0.60	62-69	0.60	NA

June 30	One-Month Adult Pass	One-Month Youth Pass	One-Month Senior Pass	One-Month Reduced Pass	Three-Month Adult Pass	Three-Month Youth Pass	Three-Month Senior Pass	Three-Month Reduced Pass
2014	\$ 48.00	\$ 24.00	\$ free	\$ 24.00	\$ 130.00	\$ 65.00	\$ free	\$ 65.00
2013	48.00	24.00	free	24.00	130.00	65.00	free	65.00
2012	48.00	24.00	free	24.00	130.00	65.00	free	65.00
2011	48.00	24.00	free	24.00	130.00	65.00	free	65.00
2010	45.00	22.50	free	22.50	130.00	65.00	free	65.00
2009	45.00	22.50	free	22.50	122.00	61.00	free	61.00
2008	38.00	19.00	19.00	19.00	103.00	51.50	51.50	51.50
2007	35.00	17.50	17.50	17.50	95.00	47.50	47.50	47.50
2006	35.00	17.50	17.50	17.50	95.00	47.50	47.50	47.50
2005	35.00	17.50	17.50	17.50	95.00	47.50	47.50	47.50

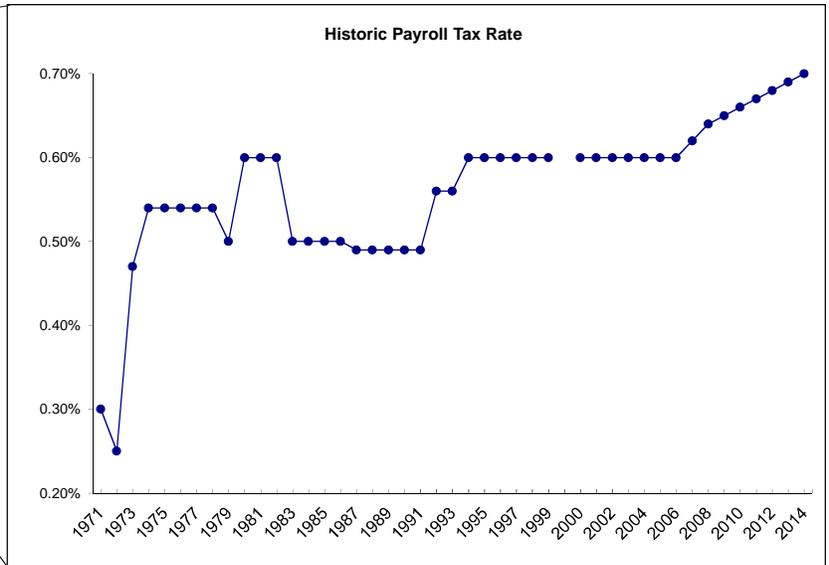
June 30	RideSource Regular Fare	RideSource Escort Fare	RideSource Shopper Fare (Roundtrip)	RideSource Book of 10 Tickets	Tokens Package of 5 Adult	Ten-Ride Ticket Book Adult	Ten-Ride Ticket Book Reduced
2014	\$ 3.00	\$ 3.00	\$ 2.00	\$ 30.00	\$ discontinued	\$ 16.00	\$ 8.00
2013	3.00	3.00	2.00	30.00	discontinued	16.00	8.00
2012	3.00	3.00	2.00	30.00	discontinued	NA	NA
2011	3.00	3.00	2.00	30.00	discontinued	NA	NA
2010	3.00	3.00	2.00	30.00	discontinued	NA	NA
2009	3.00	3.00	2.00	30.00	discontinued	NA	NA
2008	2.50	2.50	2.00	20.00	5.50	NA	NA
2007	2.50	2.50	2.00	20.00	5.50	NA	NA
2006	2.50	2.50	2.00	20.00	5.50	NA	NA
2005	2.50	2.50	2.00	20.00	5.00	NA	NA

Comparative Payroll Tax Information Last Twenty Years

PAYROLL TAX REVENUE	
Fiscal Year	Amount
FY 1994-95	10,769,903
FY 1995-96	11,709,671
FY 1996-97	12,938,315
FY 1997-98	14,187,312
FY 1998-99	15,178,987
FY 1999-00	16,040,086
FY 2000-01	16,409,144
FY 2001-02	16,121,110
FY 2002-03	16,214,994
FY 2003-04	17,138,342
FY 2004-05	20,168,976
FY 2005-06	21,416,021
FY 2006-07	22,162,590
FY 2007-08	23,303,571
FY 2008-09	22,169,136
FY 2009-10	21,424,079
FY 2010-11	22,197,770
FY 2011-12	23,047,471
FY 2012-13	24,891,777
FY 2013-14	25,374,737



HISTORIC PAYROLL TAX RATE	
Date Implemented	Rate
January 1, 2014	0.70%
January 1, 2013	0.69%
January 1, 2012	0.68%
January 1, 2011	0.67%
January 1, 2010	0.66%
January 1, 2009	0.65%
January 1, 2008	0.64%
January 1, 2007	0.62%
October 1, 1994	0.60%
January 1, 1992	0.56%
July 1, 1987	0.49%
October 1, 1983	0.50%
January 1, 1980	0.60%
January 1, 1979	0.50%
July 1, 1974	0.54%
July 1, 1973	0.47%
April 1, 1972	0.25%
April 1, 1971	0.30%



**Schedule of Insurance and Miscellaneous Data
June 30, 2014**

<u>SCHEDULE OF INSURANCE</u>	<u>COVERAGE</u>
Property damage: Real, personal, and miscellaneous property and stock	\$29,762,949
Liability: General and tort liability, including auto liability, personal injury, and property damage The District is self-insured to the extent of the first \$50,000 for each incident. Bus physical damage/collision	\$10,000,000 Actual cash value of fleet
Other: Blanket honesty bond - all employees	\$250,000
Underground storage tank – pollution liability	\$1,000,000
Workers' compensation	\$500,000
 <u>MISCELLANEOUS DATA</u>	
Date of creation of District	November 23, 1970
Form of government	Board of Directors with full-time General Manager
Number of Board members	7
Type of tax support - employer payroll tax	0.70 percent tax rate
County in which the District operates	Lane
Square miles within the District boundaries	522
Service area of District (based on definitions contained in Americans with Disabilities Act [ADA])	241.28
Number of routes	35
Population of District (2010 U.S. Census)	296,243

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DISCLOSURES AND COMMENTS REQUIRED BY STATE MINIMUM STANDARDS

Oregon Administrative Rules 162-10-050 through 162-10-320 of 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 financial statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth following.

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GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Lane Transit District
Springfield, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Lane Transit District (the District) as of and for the year ended June 30, 2014, and have issued our report thereon dated December 9, 2014.

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.

Internal Control Over Financial Reporting

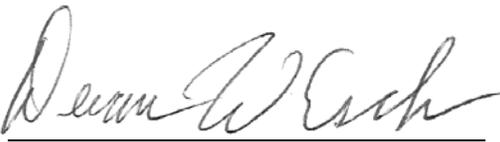
In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the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

Deficiencies in internal control were reported to management in a letter dated December 9, 2014.

Restriction on Use

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

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

By: 

Devan W. Esch, A Shareholder
December 9, 2014



LANE TRANSIT DISTRICT

**P.O. Box 7070
Springfield, OR
97475-0470**