



Coos County Area Transit

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)**

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
For the Fiscal Year Ended June 30, 2009**

TABLE OF CONTENTS

	<u>Page</u>
DISTRICT OFFICIALS	1
FINANCIAL SECTION:	
Independent Auditor's Report	2 – 3
Management's Discussion and Analysis	4 – 8
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to the Basic Financial Statements	12 – 17
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis):	
General Fund	18 – 19
ACCOMPANYING INFORMATION:	
Independent Auditor's Comments	20 – 21
Report on Compliance and Internal Control	22 – 23



DISTRICT OFFICIALS



**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
DISTRICT OFFICIALS
June 30, 2009**

DISTRICT OFFICIALS:

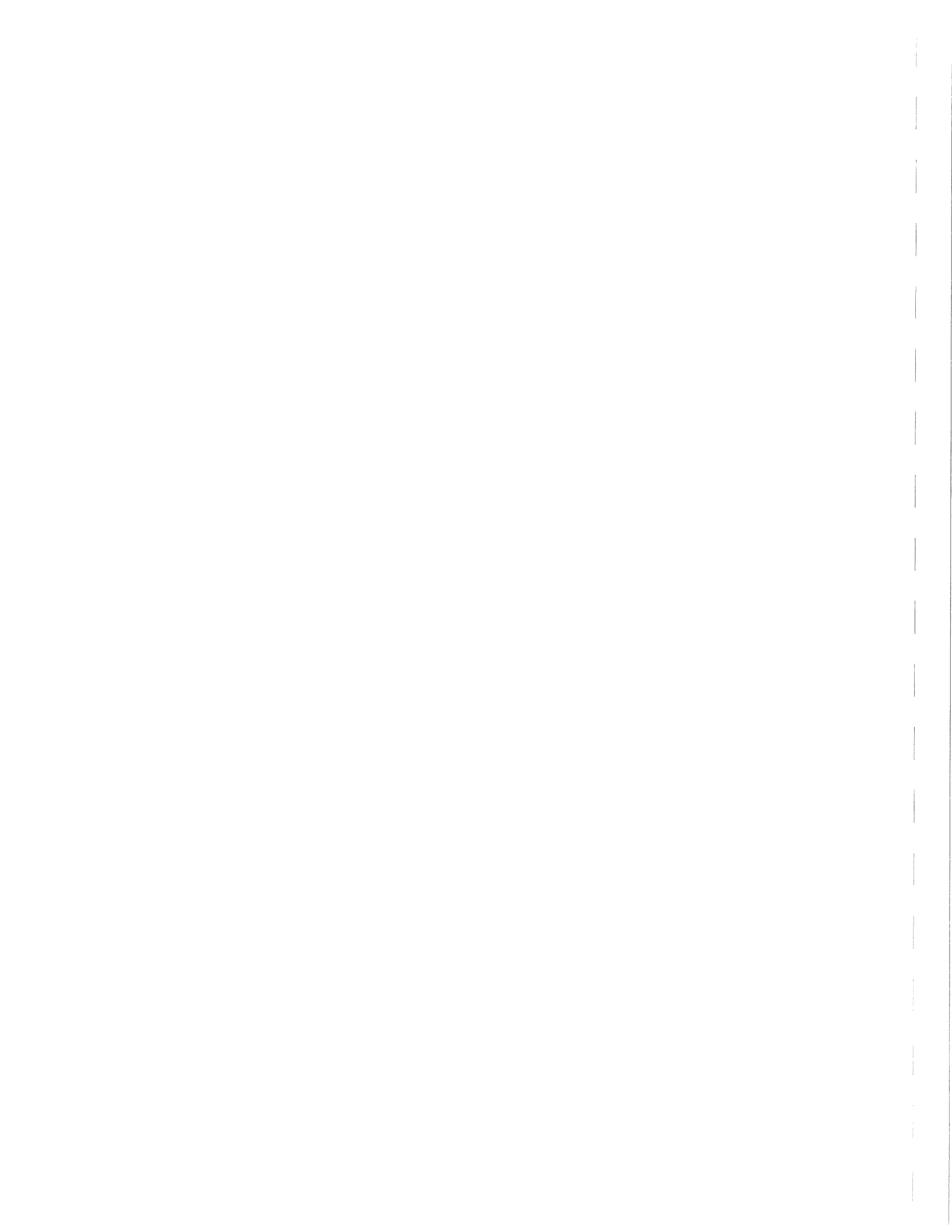
Nikki Whitty, Chairperson
54819 Lee Valley Road
Coquille, OR 97423

Bob Main, Commissioner
791 E. 10th Street
Coquille, OR 97423

Kevin Stufflebean, Commissioner
P.O. Box 1480
Coos Bay, OR 97420

MAILING ADDRESS

Coos County Courthouse
250 N. Baxter
Coquille, OR 97423



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

November 5, 2009

To the Governing Body of Coos County Area Transit Service District:

We have audited the accompanying basic financial statements of the Coos County Area Transit Service District, a component unit of Coos County, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of Coos County Area Transit Service District's management. Our responsibility is to express opinions on these financial statements based on our audit.

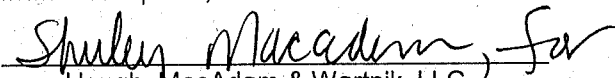
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coos County Area Transit Service District as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and budgetary comparison information as shown in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2009, on our consideration of Coos County Area Transit Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Coos County Area Transit Service District's basic financial statements. The supplementary information as shown in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Hough, MacAdam & Wartnik, LLC
Certified Public Accountants

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2009**

The management of Coos County Area Transit Service District, Oregon offers this overview and analysis of the financial activities of the District, a component unit of Coos County, for the fiscal year ended June 30, 2009. We encourage readers to consider the information here in conjunction with the accompanying basic financial statements.

Overview

Fiscal Year 2008-2009 was like a rocketship ride into outer space. At the outset fuel prices were still hovering around the absurd. Just how CCAT was going to address the demands for public transit service in Coos County were really up in the air. Then the collapse of the housing market and the ensuing recession seemed to be a real threat to CCAT's survival. Actual results indicate that CCAT was not adversely affected by the economic climate, and may have actually benefitted from the downturn.

CCAT continues to exist as a governmental entity without benefit of taxing authority, providing service virtually throughout the county. Currently (and for the period from July 01, 2008 through June 30, 2009), services are provided on a Monday-through-Friday basis including a fixed route and dial-a-ride service operating around the Coos Bay-North Bend area, as well as dial-a-ride in Bandon, Coquille, and Myrtle Point. Once-a-week shopping runs are provided for the Charleston, Lakeside, and Powers communities.

In December we replaced an old fixed route bus with a brand new vehicle featuring some new "bells and whistles" such as video cameras and audio recorders. Mobile #17 is in service now and is performing well. The security package is a real plus as we have already caught two juveniles adding their own special "artistic" flair to the seatbacks directly in front of them.

Dial-a-ride service is primarily aimed at solving transportation needs of elderly, disabled, and financially disadvantaged persons. 24,355 passengers used this service in Coos County in FY 2008-09 which represents an increase of just over 3.4% from the previous year.

The fixed route service made seven complete laps with 30-stops each Monday through Friday. In FY 2008-2009 23,040 passengers ride the "Loop Bus" demonstrating another remarkable gain of over 21%. This service is designed for general public use but is also accessed by seniors and people with disabilities. Adult fares are just \$1.25 per ride. Kids ages 6 through 17 ride for fifty cents. From FY 2007-2008 to FY 2008-2009 the entire system grew in ridership by slightly over 12% which comfortably exceeded our projections by 2%.

In Fiscal Year 2008-09 Coos County Area Transit Service District consisted of a staff of paid drivers throughout the system, and paid dispatchers in Coos Bay. Dispatching staff in Myrtle Point and Bandon continue to operate out of their respective senior centers and are volunteers.

Looking Forward

Forecasting for fiscal 2009-10 will be difficult because of the addition of options for Coos County riders. First, we will have added a second fixed route service. It is designed to reach more riders geographically around the area including the lower Bay Area and Charleston. We have also added 4-hours of dial-a-ride service to the Bay Area. These additions are directly a result of increased grant funding from last spring's STF (Special Transportation Fund) Discretionary grant process. We received a 2-year "New Freedom" grant for the Loop Bus 2nd route matched by agreement between CCAT and the Coquille Indian Tribe. We also received additional STF funding for the 4-hours of dial-a-ride service.

There is more service growth to report. Coos County has been allocated \$405,313 in first-time Jobs and Transportation Act funds and \$199,233 in Special Transportation Operating funding. CCAT may not receive all of the funds as one service provider will be applying for two new vehicles, but the following plan for the funding is as recommended by the Coos County STF Transit Advisory Committee: Two new (matching) vehicles for the two loop bus routes; a pilot program modeled off of the former South County Connector/commuter service Connecting Bandon, Coquille Myrtle Point and the Bay Area on a Monday through Friday basis served via Mobile #17; rehabilitation of a vehicle already in the fleet for use in another pilot program as a fixed route in the Bandon area; and finally one more pilot program adding weekend/evening service for both fixed route and dial-a-ride for the Bay Area.

Drivers and dispatchers will need to be hired and trained to cover these new services, and funding is proposed to cover the period January 2010 through June 30, 2011. As these are pilot programs, one of the keys to success is level of ridership. Performance will be monitored closely. All these previously unmet needs were identified again in an updated version of the Coos County Coordinated Transportation Plan. The first plan done in 2007 was updated again in June 2009, and appears to be an every other year effort.

Ticket prices are not expected to change unless fuel prices go on another upward tear. The regular operating grant agreements with the Oregon Department of Transportation's Public Transit Division have been secured for the biennium. The STF formula funds are also in place. Community support in the form of municipal contributions continues to come our way, and is of great value as approved sources of matching funds.

Without dwelling on the state of the economy, suffice it to say that CCAT participated in the American Recovery and Reinvestment Act in a big way. We have already taken possession of our new transit facility at 2810 Ocean Boulevard in Coos Bay replete with a cyclone security fence encircling the entire .44 acres of property. The building and lot are now occupied by CCAT. We have received three computer work stations and are in the process of getting a whole new 2-way radio system connecting vehicles with dispatchers. The old broadband system has been mandated to change to a narrowband system by 2012 for all transit systems including ours, so ARRA came along at the right time for CCAT. It is also bringing us four new vehicles that are sorely needed as replacements for an aging fleet of buses. The first two are due to arrive the third week of October, followed by the last two coming in early November. None of the ARRA approved acquisitions required any matching funds.

The agreement with Coos County that allows CCAT to provide for public transit service county-wide has been renewed for two years beginning July 1, 2009. Fueling and vehicle maintenance has likewise been renewed. CCAT is provided administration support by agreement with South Coast Business Employment Corporation.

Financial Highlights

- The District's assets exceeded its liabilities at June 30, 2009 by \$287,014 – an increase of \$66,993.
- The District's revenues for the 2008-09 fiscal year increased by \$53,136 from the prior year, while the expenses increased by \$19,190. The revenue increase was due to an increase in the federal 5311 Rural Area Operating Grant of \$8,506, an increase in fares received of \$8,762, receiving capital grant funds to purchase a new bus and other equipment of \$23,079, and general increases in advertising revenue, and local funds. The increase in expenses was due mainly to an increase in administration costs and staff payroll expenses. An increase in depreciation expense was offset by a decrease in fuel and tire costs.
- Overall, the financial position of the District has improved from the prior year due to the increase in federal operating grant money received and the receipt of state capital grant funds.

Overview of the Financial Statements

- Coos County Area Transit Service District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.
- Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

- The *statement of net assets* presents information on all the District assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
 - The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, e.g. earned but unused vacation leave.
- *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the District is a proprietary fund.

- *Proprietary Funds*

Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The District maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in government-wide financial statements. The District uses an enterprise fund to account for its Transit Operation which is primarily financed by grants and fees.

Notes to the Basic Financial Statements

- The notes to the financial statements, included in this report, provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other Information

- In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* referred to earlier.

Financial Analysis of the District

- The District's net assets may be found in the Statement of Net Assets. As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$287,014 at June 30, 2009 and \$220,021 at the close of the fiscal year, June 30, 2008. The District's investment in capital assets (buildings and improvements, machinery and equipment, vehicles and other mobile equipment) is approximately 55% of total net assets at June 30, 2009 and was 60% of total net assets at June 30, 2008. The District uses these assets to provide service to our customers; consequently, these assets are *not* available for future spending.
- The financial position of the District has improved in the current year. CCAT was formed as a non-taxing transit district and, as such, must rely on fares and other forms of revenue, such as federal operating and maintenance grants. During the current year ending June 30, 2009, grant funding rose due to the availability of more grant dollars and the receipt of capital grants to purchase new equipment. For 2009-10, American Recovery and Reinvestment Act (ARRA) funding has been received for a new transit facility, four new buses, and other transit operating equipment. In addition, ridership is expected to grow due to the new bus routes and the fares are anticipated to increase, although not as much as ridership.

Net Assets

	<u>2009</u>	<u>2008</u>	<u>Difference</u>	<u>%</u>
Current assets	\$ 215,847	\$ 170,624	\$ 45,223	26.5%
Capital assets	<u>158,933</u>	<u>131,343</u>	<u>27,590</u>	21.0%
Total assets	<u>374,780</u>	<u>301,967</u>	<u>72,813</u>	24.1%
Current liabilities	87,766	81,945	5,821	7.1%
Total liabilities	<u>87,766</u>	<u>81,945</u>	<u>5,821</u>	7.1%
Invested in capital assets	158,933	131,343	27,590	21.0%
Unrestricted	<u>128,081</u>	<u>88,678</u>	<u>39,403</u>	44.4%
Total net assets	<u>\$ 287,014</u>	<u>\$ 220,021</u>	<u>\$ 66,993</u>	30.4%

Changes in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Difference</u>	<u>%</u>
Grants & donations	\$ 477,225	\$ 445,473	\$ 31,752	7.1%
Fares & service fees	77,972	66,826	11,146	16.7%
Other services	<u>33,960</u>	<u>23,722</u>	<u>10,238</u>	43.2%
Total operating revenues	<u>589,157</u>	<u>536,021</u>	<u>53,136</u>	9.9%
Personal services	249,426	241,388	8,038	3.3%
Materials and services	230,306	224,661	5,645	2.5%
Depreciation	<u>42,432</u>	<u>36,925</u>	<u>5,507</u>	14.9%
Total operating expense	<u>522,164</u>	<u>502,974</u>	<u>19,190</u>	3.8%
Operating income	<u>66,993</u>	<u>33,047</u>	<u>33,946</u>	102.7%
Change in net assets	66,993	33,047	33,946	102.7%
Beginning net assets	<u>220,021</u>	<u>186,974</u>	<u>33,047</u>	17.7%
Ending net assets	<u>\$ 287,014</u>	<u>\$ 220,021</u>	<u>\$ 66,993</u>	30.4%

Capital Assets and Debt Administration

- The District owns an interest in assets used to provide transportation services to the residents of Coos County. These assets were previously owned by South Coast Business Employment Corporation and Coos County and donated to the District upon its formation. The total fair market value of the net assets transferred from South Coast Business Employment Corporation to the District on January 1, 2004, was \$256,716. In addition, the Oregon Department of Transportation retains an interest in the vehicles and equipment purchased under various capital grants.

The assets were originally purchased with grant funds and have no related debt.

Economic Factors and Next Year's Forecast

- The District receives grants from Oregon Department of Transportation from Sec. 5310 and 5311 of the Federal Transportation Administration and, as Coos County's contracted transit provider, the State of Oregon Special Transportation Fund. The upcoming year will be similar to last year's funding levels as this is the second year of the 2 year grant cycle.
- One-time funding through the Federal American Recovery and Reinvestment Act will allow Coos County Transit to purchase a new dispatch facility with secured parking, four new buses, and a variety of miscellaneous operating equipment such as dispatch radios, computers, and other office equipment. All of these will be capital purchases depreciated over the life of the assets (except the land, which is non-depreciable).
- CCAT ridership for fiscal 2009-10 will increase due to the addition of the new routes. Ridership on these new routes is expected to gradually rise over the coming year as more riders become acquainted with the new routes. Established route ridership should remain steady although numbers tend to fluctuate inversely with the price of gas.
- The uncertainty in fuel markets will continue through 2009-10, although the District's costs are mitigated somewhat by contracts with the county. However, overall fuel costs, as well as personnel costs, will be up due to the additional routes planned for 2009-10.

Requests for Information

This financial report is designed to provide a general overview of Coos County Area Transit Service District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Coos County Area Transit Service District; Mr. Bruce Bennett, Manager; 1028 Ocean Blvd. P.O. Box 1118, Coos Bay, Oregon 97420 or the Coos County Treasurer's Office, 250 N. Baxter, Coquille, Oregon 97423.



BASIC FINANCIAL STATEMENTS



**COOS COUNTY AREA TRANSIT
 SERVICE DISTRICT
 (A COMPONENT UNIT OF COOS COUNTY, OREGON)
 STATEMENT OF NET ASSETS
June 30, 2009**

ASSETS

Current Assets:

Cash and cash equivalents	\$	118,622
Receivables:		
Accounts		936
Grants		84,469
Prepaid expenses		11,820
Total current assets		215,847

Noncurrent Assets:

Capital assets (net of accumulated depreciation)		158,933
Total assets and other debits		374,780

LIABILITIES

Current Liabilities:

Accounts payable		25,791
Accrued payroll liabilities		11,752
Compensated absences payable		20,223
Contract payable		30,000
Total liabilities		87,766

NET ASSETS

Capital assets, net of related debt		158,933
Unrestricted net assets		128,081
Total Net Assets	\$	287,014

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



**COOS COUNTY AREA TRANSIT
 SERVICE DISTRICT
 (A COMPONENT UNIT OF COOS COUNTY, OREGON)
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2009**

Operating revenues:	
Intergovernmental	\$ 418,986
Capital grants	58,239
Charges for services	111,932
	589,157
Total operating revenue	589,157
Operating expenses:	
Personal services	249,426
Materials and services	230,306
Depreciation	42,432
	522,164
Total operating expenses	522,164
Change in net assets	66,993
Total net assets - beginning July 1, 2008	220,021
Total net assets - ending June 30, 2009	\$ 287,014

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

**COOS COUNTY AREA TRANSIT
SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009**

Cash flows from operating activities:

Cash received from customers	\$ 113,159
Cash received from grantors	528,074
Cash payments to suppliers for goods and services	(229,367)
Cash payment to employees for services	<u>(240,202)</u>
 Net cash provided (used) by operating activities	 <u>171,664</u>

Cash flows from capital and related financing activities:

Capital expenditures	(70,022)
Payments on contract payable	<u>(10,000)</u>
 Net cash provided (used) by capital and related financing activities	 <u>(80,022)</u>

Net increase (decrease) in cash and cash equivalents 91,642

Cash and cash equivalents - beginning of year 26,980

Cash and cash equivalents - end of year \$ 118,622

Reconciliation of operating income (loss) to net cash

Operating income (loss)	\$ <u>66,993</u>
Adjustments to reconcile operating gain to net cash provided in operating activities:	
Depreciation	42,432
(Increase) decrease in receivables	52,076
(Increase) decrease in prepaids	(5,657)
Increase (decrease) in accounts payable and accrued expenses	<u>15,820</u>
 Total adjustments	 <u>104,671</u>
 Net cash provided (used) by operating activities	 <u><u>\$ 171,664</u></u>

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



**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Coos County Area Transit Service District (a discretely presented component unit of Coos County, Oregon) is a municipal corporation that was created January 1, 2004, under the auspices of ORS chapters 451 and 198 by a vote of the Coos County Board of Commissioners for the purpose of providing public transportation service facilities. The District is not empowered to levy taxes, impose assessments, or incur bonded indebtedness, and is to be financed solely through rider fees, donations, fund raisers, sale of equipment, grants, operating subsidies, and other such non-property tax sources. Financial management duties for the District are contracted to South Coast Business Employment Corporation, a non-profit corporation. The Board of Directors for Coos County Area Transit Service District (CCAT) consists of the three members of the Coos County Commission.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. Based on the application of the criteria established by the Governmental Accounting Standards Board (GASB), there are no potential component units of the District.

Although a component unit of Coos County, the District is a legal entity, existing and operating separately from Coos County. Accordingly, the District's financial statements will also be included in the financial statements of Coos County.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

1. Basis of Presentation

The financial statements include the Statement of Net Assets, which displays information about the District as a whole. The District's activities are categorized as business-like activities and are accounted for in an enterprise fund.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges); or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

2. Measurement Focus, Basis of Accounting

The District uses the flow of economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned and expenses when incurred. Assets are capitalized based upon the District's capitalization policy and long-term liabilities are accounted for in the appropriate accounts.

The District has applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncement conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements. The District does not apply FASB statements issued after November 30, 1989, unless they are specified incorporated into GASB pronouncements.

Entitlements and shared revenues are recorded at the time of receipt or earlier if susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Equity

1. Cash and Cash Equivalents

The cash and cash equivalents reported on the Statement of Net Assets include cash on hand and demand deposits.

All cash and investments are carried at cost, which approximate fair value. For purposes of the Statement of Cash Flows, the District considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

2. Receivables and Payables

Receivables consisting of grant receivables and receivables from contracted services are reported in accordance with the policies enumerated in Paragraph B above. All receivables were billed at year-end. An allowance for bad debts is not carried, as the District believes all receivables will be collected and any uncollectible amounts would be immaterial.

3. Capital Assets

Expenditures or major additions, improvements, and replacements are capitalized for amounts in excess of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are incurred.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 – 60 years
Machinery and equipment	5 – 15 years
Vehicles and other mobile equipment	2 – 20 years

4. Compensated Absences Payable

Vacation and sick leave pay accumulate at the regular rates of pay. Employees may accumulate vacation leave up to forty-two days, with such leave fully vested when earned and is payable upon termination.

Employees may accumulate up to fifty days of sick leave, one half of which vests with the employee when earned and is payable upon termination of employment. An expense and a related liability for vacation and sick leave payable is recorded as the leave is earned.

5. *Operating Revenues and Expenses*

The District distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are grants and charges to customers for services. Operating expenses includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

6. *Net Assets*

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: Investment in capital assets, net of related debt; Restricted net assets; and Unrestricted net assets.

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

7. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. *Upcoming Accounting Standards*

Governmental Accounting standards Board Statement No. 45 will be effective for the District for the fiscal year ending June 30, 2010. This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of Other Post Employment Benefit costs (expenses) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The District is currently reviewing the application of this policy and expects the policy to have a minimal financial impact on the Statement of Net Assets and the Statement of Activities.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The procedures include appointment of budget committee members, approval of the budget by the Budget Committee and a Budget hearing. The budget is generally adopted and appropriations are made no later than June 30. The resolution authorizing the appropriation sets the legal limits for expenditures. Total personal services, materials and services, capital outlay, debt service, and contingency are the levels of control.

Original appropriations may be increased through resolutions by transferring amounts between appropriations. Management may reassign resources within functions without seeking approval of the District's Board of Directors. A supplemental budget is needed to increase appropriations when appropriations transfers are unauthorized. Budget amounts are reported as originally adopted, or as amended by the District's Board of Commissioners.

The District is required to follow Oregon Budget Law, although it has no taxing authority.

III. DETAILED NOTES ON TYPES OF ACCOUNTS

A. Deposits and Investments

Deposits. The Governmental Accounting Standards board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial risk assumed by the District at June 30, 2009. If bank deposits at year end are not entirely insured or collateralized with securities held by the District or by its agent in the District's name, the District must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes now require that the financial institution be included on an approved list maintained by the Oregon State Treasurer. The District's financial institution, Umpqua Bank, is on the approved list. For the fiscal year ended June 30, 2009, the carrying amounts of the District's deposits in a financial institution were \$118,622 and the bank balance was \$121,432. All deposits are held in the name of the District in a non-interest bearing checking account. Of the bank balance, \$121,432 was covered by federal depository insurance.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk.

B. Receivables

Receivables as of the fiscal year end are as follows:

	<u>2009</u>
Accounts receivable	\$ 936
Grants receivable	<u>84,469</u>
Net total receivables	<u>\$ 85,405</u>

C. Capital Assets

Capital asset activity of the District for the fiscal year ended June 30, 2009 was as follows:

	Balance 7/1/2008	Increases	Decreases	Balance 6/30/2009
Depreciable capital assets				
Vehicles and mobile equipment	\$ 239,819	\$ 65,022	\$ 650	\$ 304,191
Buildings	66,661	-	-	66,661
Machinery and equipment	5,574	5,000	974	9,600
Total depreciable capital assets	<u>312,054</u>	<u>70,022</u>	<u>1,624</u>	<u>380,452</u>
Less accumulated depreciation				
Vehicles and mobile equipment	145,695	35,599	650	180,644
Buildings	29,442	6,666	-	36,108
Machinery and equipment	5,574	167	974	4,767
Total accumulated depreciation	<u>180,711</u>	<u>42,432</u>	<u>1,624</u>	<u>221,519</u>
Total depreciable capital assets (net)	<u>\$ 131,343</u>	<u>\$ 27,590</u>	<u>\$ -</u>	<u>\$ 158,933</u>

D. Contract Payable

On January 5, 2004, the District entered into an agreement and obtained a non-interest bearing note from South Coast Business Employment Corporation (SCBEC). The funds provided temporary working capital for the District's operations. The funds are payable to SCBEC on demand or as otherwise agreed to in writing. In the event that the District is unable to repay the note, SCBEC may, at its option, terminate the agreement without penalty, expense or further obligation to the District. The beginning balance of the note at fiscal year end June 30, 2008 was \$40,000. A \$10,000 payment was made during the current year, and the outstanding balance of this loan at June 30, 2009 was \$30,000.

E. Compensated Absences Payable

At June 30, 2009, compensated absences payable were as follows:

	Balance 7/1/2008	Additions	Reductions	Balance 6/30/2009	Due Within One Year
Vacation liability	\$ 8,385	\$ 12,231	\$ 8,330	\$ 12,286	\$ 12,286
Sick leave liability	4,275	7,820	4,158	7,937	7,937
	<u>\$ 12,660</u>	<u>\$ 20,051</u>	<u>\$ 12,488</u>	<u>\$ 20,223</u>	<u>\$ 20,223</u>

IV. OTHER INFORMATION

A. Pension Plan

The District provides a Simplified Employee Pension Plan (SEPP) for all eligible employees. Under the plan, the District contributes 12% of each eligible employee's gross wage (excluding overtime and termination pay). The total contribution for the fiscal year ended June 30, 2009 was \$17,681.

B. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the District has not been required to pay any settlements in excess of insurance coverage during the last three fiscal years.

C. Contingent Liabilities

Neither management nor legal counsel to the District are aware of any pending lawsuits or litigation which require accrual or disclosure in accordance with Financial Accounting Standard No. 5.

D. Subsequent Event

Near the end of the 2008-2009 fiscal year, the District received notice of the approval of approximately \$315,000 in federal stimulus money for purchase of land and building for a bus yard/office, for operations, and for new buses. During July 2009, the District was advanced \$212,720 from Coos County to proceed with the purchase of the land and building. The advance was interest free, and was repaid August 21, 2009 when the federal monies arrived.

**REQUIRED SUPPLEMENTARY
INFORMATION**



**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
For the Year Ended June 30, 2009**

	Final Budget	Actual on Budgetary Basis	Variance
Revenues:			
Advertising	\$ 5,000	\$ 6,410	\$ 1,410
Fares	62,519	64,130	1,611
Grant revenue	483,429	477,225	(6,204)
Local funds	20,000	26,000	6,000
Service contracts	13,791	13,842	51
Other	6,676	1,550	(5,126)
Total revenues	591,415	589,157	(2,258)
Expenditures:			
Personal services:			
Drivers/dispatch wage and fringe	255,162	249,426	5,736
Adminstration salary and fringe	80,547	79,108	1,439
Total personal services	335,709	328,534	7,175
Materials and services:			
Communications	1,500	485	1,015
Employee testing	1,500	1,708	(208)
Facilities overhead	19,141	10,842	8,299
Fuel/oil	80,924	52,098	28,826
Indirect adminstration	38,752	39,057	(305)
Sub-contracts/purchased trasportation	100	89	11
Tires	8,000	4,760	3,240
Travel	1,500	4,950	(3,450)
Vehicle insurance/licenses	13,000	12,853	147
Vehicle maintenance	25,000	19,045	5,955
Other expenses	1,500	5,311	(3,811)
Total materials and services	190,917	151,198	39,719
Debt service:			
Principal	\$ 10,000	\$ 10,000	\$ -

See accompanying notes.

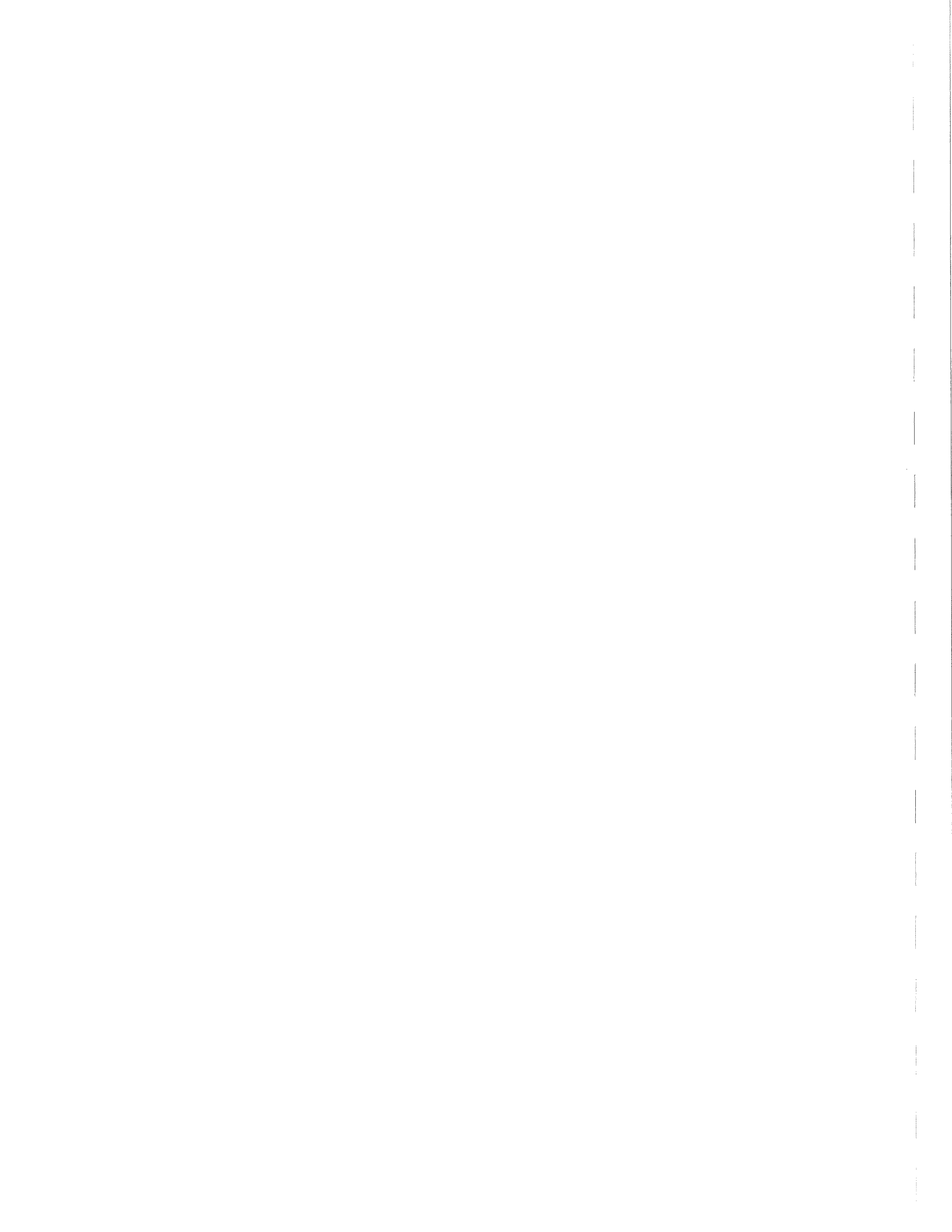


**COOS COUNTY AREA TRANSIT
 SERVICE DISTRICT
 (A COMPONENT UNIT OF COOS COUNTY, OREGON)
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 (Continued)
For the Year Ended June 30, 2009**

	Final Budget	Actual	Variance
Expenditures:			
Capital outlay	\$ 73,000	\$ 70,022	\$ 2,978
Total expenditures	609,626	559,754	49,872
Net change in fund balance	(48,211)	29,403	77,614
Fund balance at beginning of year	48,211	220,021	171,810
Fund balance at end of year	\$ -	249,424	\$ 249,424
Reconciliation to GAAP basis net assets:			
Debt service payment		10,000	
Depreciation		(42,432)	
Capital expenditures		70,022	
GAAP basis net assets		\$ 287,014	



ACCOMPANYING INFORMATION



INDEPENDENT AUDITOR'S COMMENTS

JUNE 30, 2009

Audit Report Requirements

Oregon Administrative Rules 162-10-0000 through 162-10-0330 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, schedules, comments, and disclosures not included in the preceding section of this report are set forth as follows:

Accounting System and Internal Controls

The Coos County Area Transit Service District's accounting systems are adequate and the accounting records are properly maintained. The internal controls for the District are operating as designed and no significant deficiencies or material weaknesses were noted.

Collateral

Balances on deposit with financial institutions were secured in accordance with the requirements of ORS 295.015.

Indebtedness

Based on the results of our tests, the District had no bonded debt during the year.

Budget

We reviewed the preparation, adoption, and execution of the budget for the current fiscal year and the preparation and adoption of the budget for the ensuing fiscal year. In our opinion, the District has complied with statutory requirements for current and ensuing year's budget.

The resolution authorizing appropriations sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay, debt service, and operating contingency are the levels of control. Budgeted amounts are as originally adopted or as amended by the Board of Directors.

Insurance and Fidelity Bonds

We examined insurance policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force. We are not competent by training to state whether the insurance policies covering District owned property in force at June 30, 2009, are adequate.

The District has complied with the provision of ORS 198.220 regarding the bonding of District officials.

Investments

The District was in compliance with local requirements of ORS 279 pertaining to investment of public funds.

Least Cost Policy for Public Improvements

In our opinion, the District was in compliance with the provisions of ORS 279.023.

Programs Funded from Outside Sources

We selected and tested, to the extent deemed appropriate, transactions, records and reports relative to programs funded wholly or partially by other governmental agencies.

The results of our tests indicate, for the items tested, the District complied with the laws, rules and regulations pertaining to programs funded wholly or partially by other government agencies, and, for the items tested, financial reports and related data were in agreement with and supported by the accounting records.

A separate report has been issued to report on compliance with appropriate laws and regulations pertaining to programs funded by outside sources.

Since the District expended less than \$500,000 in Federal Financial Assistance, they were not subject the requirements of OMB Circular A-133.

Statement of Accountability for Independently Elected Officials

This statement is not applicable to the Coos County Area Transit Service District.



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

November 5, 2009

To the Governing Body of Coos County Area Transit Service District:

We have audited the accompanying financial statements of the Coos County Area Transit Service District as of and for the year ended June 30, 2009, and have issued our report thereon dated November 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coos County Area Transit Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

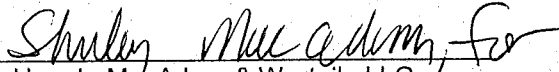
A control deficiency exists when the design of operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect, or correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, detected, or corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Coos County, the State of Oregon, Secretary of State, Division of Audits; and cognizant and other federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties.



Hough, MacAdam & Wartnik, LLC
Certified Public Accountant