

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

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
For the Fiscal Year Ended June 30, 2010**

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DISTRICT OFFICIALS

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
DISTRICT OFFICIALS
June 30, 2010**

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

October 5, 2010

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, 2010, 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.

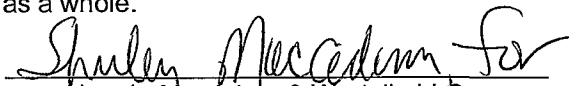
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2010, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2010, 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, 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 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.

Management's Discussion and Analysis as shown in the table of contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Coos County Area Transit Service District. 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. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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, 2010**

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, 2010. We encourage readers to consider the information here in conjunction with the accompanying basic financial statements.

Overview

Fiscal Year 2009-2010 was very exciting for Coos County Area Transit Service District (C-CAT). We were beneficiaries of the federal government American Recovery and Reinvestment Act (ARRA). These stimulus funds, passed to us through Oregon Department of Transportation's (ODOT) Public Transit Division (PTD) enabled us to acquire an office building and paved bus parking/storage lot on .44 acres of property at 2810 Ocean Boulevard in Coos Bay and completely enclose it with a cyclone fence.

A total renovation and replacement of our 2-way radio communications was completed and three computer work stations were purchased. Finally, we received four new buses. None of these capital acquisitions required matching local funds. Additionally, PTD came through with two new operating grant programs which meant healthy transit allocations for Coos County.

Coos County Area Transit Service District continues to exist as a governmental entity without benefit of taxing authority, providing service virtually throughout the county. For the period from July 1, 2009 through June 30, 2010 services are provided on a Monday-through-Friday basis including fixed routes and dial-a-ride services 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 Lakeside and Powers communities. In September 2009 the single fixed route was increased to two fixed routes thanks to a New Freedom grant through ODOT and a matching award provided by the Coquille Indian Tribe.

In November and December our new ARRA buses arrived and were stationed at Myrtle Point, Coquille, Bandon, and the Bay Area. These vehicles were assigned mainly as dial-a-ride service, with some inter-community commuter service via the Myrtle Point and Coquille buses. Dial-a-ride service is primarily aimed at solving transportation needs of elderly, disabled, and financially disadvantaged persons. 23,733 passengers used this service in Coos County in FY 2009-2010 which represents a decrease of 2.6% from the previous year.

The fixed route services made seven complete laps with 30-stops each Monday through Friday. In FY 2009-2010, 21,403 passengers rode the "Loop Bus." Despite the addition of a second route for nearly ¾ of the year, total Loop ridership was down by 7.1%. 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. The entire system saw a total ridership of 45,560 or a slippage of just under 4%.

In Fiscal Year 2009-2010 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 2010-11 will be difficult because of the economic conditions throughout the state and nation. Coos County Area Transit Service District has already been cut back in the Special Transportation Fund (STF) formula funds for this second half of the biennium by \$31,000. Additional cuts are being forecast and grant programs are in jeopardy, too. So while it is not hard to see contraction coming, it is still difficult when contemplating service and staffing cuts in order to balance a budget that is barely 3-months old.

With additional funds coming through the Jobs and Transportation Act (JTA) and Special Transportation Operations (STO) grants we have just received 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, was inaugurated in January of 2010. Rehabilitation will begin soon for a vehicle already in the fleet to be used in another pilot program. It will be a fixed route service in the Bandon area and is scheduled to commence in May 2011 for periods of 6-months a year over the course of the next two years.

Finally one more pilot program expanded service at either end of the operational day for both fixed route and dial-a-ride for the Bay Area. Drivers and dispatchers were hired and trained to cover these new services and funding was proposed to cover the period January 2010 through June 30, 2011. That may certainly be revisited soon due to reductions in grant programs.

Ticket prices are not expected to change unless fuel prices go completely through the roof. The regular operating grant agreements with the Oregon Department of Transportation's Public Transit Division have been secured for the remainder of the biennium. The STF formula funds are also in place, although reduced as indicated previously. Community support in the form of municipal contributions has continued to come our way and is of great value as approved sources of matching funds.

The agreement with Coos County that allows C-CAT to provide for public transit service county-wide will be due for renewal July 1, 2011. Fueling and vehicle maintenance is likewise due by that date. Coos County Area Transit Service District is provided administration support by agreement with South Coast Business Employment Corporation.

Financial Highlights

- The District's assets exceeded its liabilities at June 30, 2010 by \$696,861 – an increase of \$409,847.
- The District's revenues for the 2009-2010 fiscal year increased by \$527,266 from the prior year, while the expenses increased by \$184,412. The revenue increase was due mostly to the receipt of ARRA funding of \$480,583, the receipt of an STF Planning Grant of \$66,411, and an increase in the federal 5311 Rural Area Operating Grant of \$18,069 which offset decreases in most other revenues. The increase in expenses was due mainly to an increase in administration costs and payroll expenses. Costs for fuel and oil, tires, and insurance increased due to more vehicles and routes. An increase in depreciation expense and space cost was due to the new office facility and new vehicles.
- Overall, the financial position of the District has improved markedly from the prior year due to the real property, new buses, and other fixed assets purchased through ARRA funding.

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 \$696,861 at June 30, 2010 and \$287,014 at the close of the fiscal year, June 30, 2009. The District's investment in capital assets (buildings and improvements, machinery and equipment, vehicles and other mobile equipment) is approximately 81% of total net assets at June 30, 2010 and was 55% of total net assets at June 30, 2009. 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, 2010, these grant sources fell slightly due to the contraction of the economy; while the availability of American Recovery and Reinvestment Act dollars was a major source of funding for the purchase of new fixed assets. For 2010-2011, no new ARRA funding is expected and other grant revenue is expected to decrease somewhat. While new bus routes and longer hours of operation may result in increased ridership and fares, any increase will likely hinge on changes in the economy and fluctuations in gas prices.

Net Assets

	2010	2009	Difference	%
Current assets	\$ 252,419	\$ 215,847	\$ 36,572	16.9%
Capital assets	567,769	158,933	408,836	257.2%
Total assets	820,188	374,780	445,408	118.8%
Current liabilities	123,327	87,766	35,561	40.5%
Total liabilities	123,327	87,766	35,561	40.5%
Invested in capital assets	567,769	158,933	408,836	257.2%
Unrestricted	129,092	128,081	1,011	0.8%
Total net assets	\$ 696,861	\$ 287,014	\$ 409,847	142.8%

Changes in Net Assets

	2010	2009	Difference	%
Grants & donations	\$ 1,023,078	\$ 477,225	\$ 545,853	114.4%
Fares & service fees	67,085	77,972	(10,887)	-14.0%
Other services	26,260	33,960	(7,700)	-22.7%
Total operating revenues	1,116,423	589,157	527,266	89.5%
Personal services	427,660	249,426	178,234	71.5%
Materials and services	199,793	230,306	(30,513)	-13.2%
Depreciation	79,123	42,432	36,691	86.5%
Total operating expense	706,576	522,164	184,412	35.3%
Operating income	409,847	66,993	342,854	511.8%
Change in net assets	409,847	66,993	342,854	511.8%
Beginning net assets	287,014	220,021	66,993	30.4%
Ending net assets	\$ 696,861	\$ 287,014	\$ 409,847	142.8%

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

- Coos County receives Sec. 5310 grants for purchased transportation services provided by C-CAT from ODOT's Public Transit Division. Funds are secured through June 30, 2011 as part of the second half of the biennium.
- C-CAT receives Sec.5311 (Rural and Small Cities) grant funds from ODOT Public Transit Division. The upcoming year will see a slight decrease in the Sec. 5311 funds in comparison to the previous year due to the addition of service providers elsewhere around the state.
- As Coos County's contracted transit provider, C-CAT also receives the State of Oregon Special Transportation Funds. Special Transportation Operations (STO) funding programs are expected to run out by June 30, 2011. Special Transportation Fund dollars have already been expanded for the second year of the biennium by \$31,000 only to be reduced by the same amount.
- The one-time stimulus program through the Federal American Recovery and Reinvestment Act has been spent and additional funds of this genre are not expected.
- CCAT ridership for fiscal 2010-11 should increase somewhat due to adjustments of the routes. Ridership is expected to gradually rise over the coming year as more riders become acquainted with the services. Ridership numbers do tend to fluctuate inversely with the price of gas.
- The uncertainty in fuel markets will continue through 2010-2011, although the District's costs are mitigated somewhat by contracts with the county.

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., 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, 2010**

ASSETS

Current Assets:

Cash and cash equivalents	\$	145,799
Receivables:		
Accounts		469
Grants		94,530
Prepaid expenses		11,621
Total current assets		252,419

Noncurrent Assets:

Land		117,743
Capital assets (net of accumulated depreciation)		450,026
Total noncurrent assets		567,769
Total assets and other debits		820,188

LIABILITIES

Current Liabilities:

Accounts payable		23,544
Accrued payroll liabilities		16,928
Deferred revenue		33,205
Compensated absences payable		29,650
Total current liabilities		103,327

Long-term contract payable		20,000
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Total liabilities		123,327
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NET ASSETS

Capital assets, net of related debt		567,769
Unrestricted net assets		129,092
Total Net Assets	\$	696,861

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, 2010**

Operating revenues:	
Intergovernmental	\$ 539,140
Charges for services	<u>96,700</u>
Total operating revenue	<u>635,840</u>
Operating expenses:	
Personal services	427,660
Materials and services	199,793
Depreciation	<u>79,123</u>
Total operating expenses	<u>706,576</u>
Operating income (loss)	(70,736)
Non-operating revenue (expenses):	
Capital grants	<u>480,583</u>
Change in net assets	409,847
Net assets - beginning of year	<u>287,014</u>
Net assets - end of year	<u><u>\$ 696,861</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)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010**

Cash flows from operating activities:

Cash received from customers	\$ 97,167
Cash received from grantors	562,284
Cash payments to suppliers for goods and services	(201,841)
Cash payment to employees for services	<u>(413,057)</u>

Net cash provided (used) by operating activities	<u>44,553</u>
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Cash flows from capital and related financing activities:

Payments on contract payable	<u>(10,000)</u>
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Net cash provided (used) by capital and related financing activities	<u>(10,000)</u>
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Cash flows from investing activities:

Capital grants	480,583
Capital expenditures	<u>(487,959)</u>

Net cash provided (used) by investing activities	<u>(7,376)</u>
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Net increase (decrease) in cash and cash equivalents	27,177
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Cash and cash equivalents - beginning of year	<u>118,622</u>
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Cash and cash equivalents - end of year	<u><u>\$ 145,799</u></u>
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Reconciliation of operating income (loss) to net cash

Operating income (loss)	<u>\$ (70,736)</u>
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Adjustments to reconcile operating gain (loss) to net cash provided in operating activities:

Depreciation	79,123
(Increase) decrease in receivables	(9,594)
(Increase) decrease in prepaids	199
Increase (decrease) in accounts payable and accrued expenses	12,356
Increase (decrease) in deferred revenue	<u>33,205</u>

Total adjustments	<u>115,289</u>
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Net cash provided (used) by operating activities	<u><u>\$ 44,553</u></u>
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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, 2010**

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 specifically 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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District maintains a capitalization threshold of \$5,000 and an estimated useful life of two or more years. Major outlays for capital assets and improvements are capitalized as the projects are constructed.

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 an unlimited amount of sick leave, but only one half vests with the employee when earned and is payable upon termination of employment up to 50 days. 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.

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, 2010. 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.

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.

For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to participate in the Public Funds Collateralization Program. The Public Funds Collateralization Pool is a multiple financial institution collateral pool administered by the Oregon State Treasurer's Office. It was created by the Office of the State Treasurer to facilitate bank depository, custodian and public official compliance with ORS 295. Bank depositors, which are part of a shared liability pool, are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third party custodian bank securities having a value of 10%, 25% or 110% of public funds on deposit depending primarily on the capitalization level of the depository bank.

For the fiscal year ended June 30, 2010, the carrying amounts of the District's deposits in a financial institution were \$145,749 and the bank balance was \$155,295. All deposits are held in the name of the District in a non-interest bearing checking account. Of the bank balance, \$155,295 was covered by federal depository insurance.

B. Receivables

Receivables as of the fiscal year end are as follows:

	<u>2010</u>
Accounts receivable	\$ 469
Grants receivable	<u>94,530</u>
Net total receivables	<u>\$ 94,999</u>

C. Capital Assets

Capital asset activity of the District for the fiscal year ended June 30, 2010 was as follows:

	Balance 7/1/2009	Increases	Decreases	Balance 6/30/2010
Nondepreciable capital assets:				
Land	\$ -	\$ 117,743	\$ -	\$ 117,743
Depreciable capital assets				
Vehicles and mobile equipment	304,191	236,012	31,400	508,803
Buildings	66,661	114,330	-	180,991
Machinery and equipment	9,600	19,874	4,600	24,874
Total depreciable capital assets	380,452	370,216	36,000	714,668
Less accumulated depreciation				
Vehicles and mobile equipment	(180,644)	(63,227)	30,102	(213,769)
Buildings	(36,108)	(11,469)	-	(47,577)
Machinery and equipment	(4,767)	(3,129)	4,600	(3,296)
Total accumulated depreciation	(221,519)	(77,825)	34,702	(264,642)
Total depreciable capital assets (net)	158,933	292,391	1,298	450,026
Total capital assets (net)	\$ 158,933	\$ 410,134	\$ 1,298	\$ 567,769

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, 2009 was \$30,000. A \$10,000 payment was made during the current year, and the outstanding balance of this loan at June 30, 2010 was \$20,000.

E. Compensated Absences Payable

At June 30, 2010, compensated absences payable were as follows:

	Balance 7/1/2009	Additions	Reductions	Balance 6/30/2010	Due Within One Year
Compensated absences	\$ 20,223	\$ 26,960	\$ 17,533	\$ 29,650	\$ 29,650

F. Deferred Revenue

The District was awarded an STO grant from the state of Oregon. The State sent the entire award amount before the District had submitted any reimbursement requests. The portion of the grant that has not yet been earned through expenditure as of June 30, 2010 was placed in deferred revenue.

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, 2010 was \$23,291.

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. Commitments and Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

D. Other Post Employment Benefit

Governmental Accounting Standards Board Statement No. 45 was 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 has determined they have no liability under GASB 45.

E. Short-term Notes

Near the end of the 2008-2009 fiscal year, the District received notice of the approval of approximately \$315,000 in federal stimulus monies for the 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, a related party, 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.

F. Subsequent Event

Near the end of the 2009-10 fiscal year, the District received notice of the approval of a grant award in the amount of \$141,478 from the Oregon Department of Transportation for the purchase of two category D medium size light duty buses. During August 2010, the District was advanced \$141,478 from Coos County, a related party, to proceed with the purchase of the buses. The advance was interest free, and the District expects to repay the loan when the grant money is received, anticipated to be approximately October 2010.

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, 2010**

	Final Budget	Actual on Budgetary Basis	Variance
Revenues:			
Advertising	\$ 6,000	\$ 6,900	\$ 900
Fares	73,086	52,961	(20,125)
Grant revenue	1,093,448	1,019,723	(73,725)
Local funds	18,000	18,000	-
Service contracts	13,916	17,479	3,563
Other	-	1,360	1,360
Total revenues	1,204,450	1,116,423	(88,027)
Expenditures:			
Personal services:			
Drivers/dispatch wage and fringe	370,451	324,624	45,827
Adminstration salary and fringe	101,093	93,609	7,484
Total personal services	471,544	418,233	53,311
Materials and services:			
Communications	2,000	30	1,970
Employee testing	3,000	2,037	963
Facilities overhead	53,405	11,024	42,381
Fuel/oil	80,924	70,990	9,934
Indirect adminstration	40,538	52,565	(12,027)
Sub-contracts/purchased trasportation	3,150	28	3,122
Tires	10,000	6,531	3,469
Travel	7,000	3,735	3,265
Vehicle insurance/licenses	16,502	15,577	925
Vehicle maintenance	25,000	19,304	5,696
Other expenses	40,034	17,972	22,062
Total materials and services	281,553	199,793	81,760
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, 2010**

	Final Budget	Actual	Variance
Other expenditures:			
Capital outlay	\$ 526,583	\$ 487,959	\$ 38,624
Contingency	40,000	-	40,000
Total other expenditures	566,583	487,959	78,624
Total expenditures	1,329,680	1,115,985	213,695
Net change in fund balance	(125,230)	438	155,668
Fund balance at beginning of year	125,230	178,304	53,074
Fund balance at end of year	\$ -	178,742	\$ 208,742
Reconciliation to GAAP basis net assets:			
Long-term debt		(20,000)	
Accrued compensation		(29,650)	
Capital assets, net of depreciation		567,769	
GAAP basis net assets		\$ 696,861	

See accompanying notes.

ACCOMPANYING INFORMATION



**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**

October 5, 2010

To the Governing Body of the 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, 2010, and have issued our report thereon dated October 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

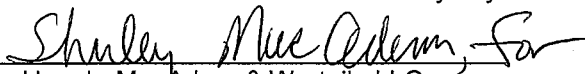
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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, or detected and 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 was not designed to identify all deficiencies in internal control over financial reporting that might be 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 the 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

INDEPENDENT AUDITOR'S COMMENTS

JUNE 30, 2010

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

Based on the results of our tests, 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. Based on the results of our tests, 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, 2010, are adequate.

Based on the results of our tests, the District has complied with the provision of ORS 198.220 regarding the bonding of District officials.

Investments

Based on the results of our tests, the District was in compliance with local requirements of ORS 279 pertaining to investment of public funds.

Least Cost Policy for Public Improvements

Based on the results of our tests, 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.

Separate reports have been issued to report on compliance with appropriate laws and regulations pertaining to Federal Financial Assistance with Programs Funded from Outside Sources.

Statement of Accountability for Independently Elected Officials

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



Hough, MacAdam & Wartnik, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 5, 2010

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

Compliance

We have audited the Coos County Area Transit Service District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2010. The Coos County Area Transit Service District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Coos County Area Transit Service District's management. Our responsibility is to express an opinion on the Coos County Area Transit Service District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Coos County Area Transit Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Coos County Area Transit Service District's compliance with those requirements.

In our opinion, the Coos County Area Transit Service District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Coos County Area Transit Service District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Coos County Area Transit Service District's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Coos County Area Transit Service District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect, or correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected, or corrected on a timely basis.

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

This report is intended solely for the information and use of management, Coos County, the Board of Directors, the State of Oregon, Secretary of State, Division of Audits, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Shirley MacAdam & Wartnik, LLC
Certified Public Accountants

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

F. SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Coos County Area Transit Service District.
2. No significant deficiencies or material weaknesses in internal control were disclosed by the audit of the basic financial statements of Coos County Area Transit Service District.
3. No instances of noncompliance material to the basic financial statements of Coos County Area Transit Service District were disclosed during the audit.

Federal Awards

4. No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit.
5. The auditor's report on compliance for the major federal awards program for Coos County Area Transit Service District expresses an unqualified opinion.
6. The audit disclosed no findings required to be reported under Section 510(a) of Circular A-133.
7. The program tested as a major program was:

Formula Grants Other Than Urbanized Areas CFDA # 20.509

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Coos County Area Transit Service District was determined to be a high-risk auditee.

SECTION II FINDINGS - FINANCIAL STATEMENT FINDINGS

None

SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Grant Title</u>	<u>CFDA #</u>	<u>Award Amount</u>	<u>Pass through Agency Number</u>	<u>2009-10 Federal Expenditures</u>
<u>U.S. Department of Transportation</u>				
Passed through Oregon State Department of Transportation:				
New Freedom Program	20.521	\$ 66,029	#25912	\$ 22,506
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	24,429	#26044	12,736
Formula Grants Other than Urbanized Areas	20.509 *	200,307	#25813	200,307
Formula Grants Other than Urbanized Areas-ARRA	20.509 *	222,720	#25711	222,720
Formula Grants Other than Urbanized Areas-ARRA	20.509 *	257,863	#25625	<u>257,863</u>
<u>Total passed through Oregon Department of Transportation</u>				<u>716,132</u>
Passed through Coos County				
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	215,626	#26043	<u>107,812</u>
<u>Total passed through Coos County</u>				<u>107,812</u>
<u>Total U.S. Department of Transportation</u>				<u>823,944</u>
Total Federal Financial Assistance				<u>\$ 823,944</u>

* indicates a major program

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Coos County Area Transit Service District and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.