



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

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
For the Fiscal Year Ended June 30, 2011**

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DISTRICT OFFICIALS

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
DISTRICT OFFICIALS
June 30, 2011**

DISTRICT OFFICIALS:

Allen 'Cam' Parry, Commissioner – December 31, 2012
P.O. Box 5924
Charleston, OR 97420

Bob Main, Chairperson – December 31, 2012
791 E. 10th Street
Coquille, OR 97423

Fred R. Messerle, Commissioner – December 31, 2012
60196 Old Wagon Road
Coos Bay, OR 97420

REGISTERED AGENT:

Bruce Bennett
2810 Ocean Boulevard
Coos Bay, OR 97420

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

October 20, 2011

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, 2011, as listed in the table of contents. These financial statements are the responsibility of the Coos County Area Transit Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

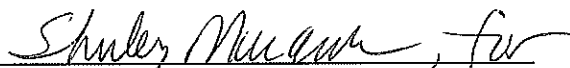
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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 opinion.

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, 2011, 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 20, 2011, on our consideration of Coos County Area Transit Service District's internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the 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 supplementary information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 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, 2011**

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, 2011. We encourage readers to consider the information here in conjunction with the accompanying basic financial statements.

Overview

Fiscal Year 2010-2011 was the proof in the pudding for Coos County Area Transit Service District (CCAT). We demonstrated that if we could provide the service, riders would climb on board, and indeed, they did over 57,000 unduplicated rides via the most ambitious schedule to date in CCAT's brief history, thanks to a wide array of grant agreements provided by Oregon Department of Transportation's Public Transit Division.

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, 2010 through June 30, 2011 services are provided on a Monday-through-Friday basis including two fixed routes and three vehicles providing demand-response service operating around the Coos Bay-North Bend area, as well as a dial-a-ride vehicle each in Bandon, Coquille, and Myrtle Point. Once-a-week shopping runs continue to be provided for the Lakeside and Powers communities.

In late August our two new matched fixed-route Loop Buses arrived and were assigned to service the West Loop and the East Loop. The service is designed for general public use but is also accessed by seniors and people with disabilities. Adult fares are set at \$1.25 per boarding. Kids ages 6 through 17 ride for just \$.50. The combined fixed route service carried 29,976 passengers; representing a 29% increase over the previous year's total.

Dial-a-ride service is primarily aimed at solving transportation needs of elderly, disabled, and financially disadvantaged persons. General public adult fares are \$2.00 per boarding, but seniors and disabled riders pay \$1.50 each. 26,966 passengers used this service in Coos County in FY 2010-2011 which represents an increase of 12% over the previous year. Both Dial-A-Ride and Fixed-Route enjoyed significantly longer service days, beginning both at 6:15AM and concluding at 7:15PM Monday through Friday. Expanded hours began on August 9, 2010 and concluded June 30, 2011. The early morning and later evening services did not themselves seem to generate much ridership, but they both combined to bring up the rest of the service hours.

One pilot program begun in January of 2010 and concluded in August, 2010 was the South County Connector. This service was designed to collect passengers from outlying areas such as Myrtle Point, Coquille, and Bandon and deliver commuters to the Bandon Dunes Golf Resort. It would then continue on to the Bay Area and deliver workers to Coquille and the county courthouse before 8AM. The course was reversed in the afternoon to take riders back home. The South County Connector was given a solid 9-month run, but never generated any significant ridership, and was cancelled in September 2010.

In Fiscal Year 2010-2011 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 2011-2012 has proven to be grim. Grant funds have been reduced at almost all levels. Some agreements originating late in the previous biennium were ended effective June 30, 2011 as scheduled, meaning funding that arrived late in the beginning would not be continued for a full 24 months until expended, but rather unceremoniously lopped off at 18-months.

In order to make ends meet, CCAT basically went to pre-stimulus service levels of Fiscal year 2008-2009. Reductions in staff, hours and service were manifested across the board for the current fiscal year. One dimension that was added was a small expansion occurring once a week with the Lakeside service. Grant funding was secured to add Reedsport in Douglas County to that service. Money was also found to purchase a repeater 2-way radio service at Winchester Hill. This would secure communications with the CCAT bus service to Reedsport, as well as improve the often sketchy service at Lakeside in Coos County.

The agreement with Coos County that allows CCAT to provide for public transit service county-wide was renewed by both parties from July 1, 2011 through June 30, 2013. Fueling and vehicle maintenance is due for renewal June 30, 2012. 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, 2011 by \$819,096 – an increase of \$122,235.
- The District's revenues for the 2010-2011 fiscal year decreased by \$118,785 from the prior year, while the expenses increased by \$168,827. Much of the revenue decrease was due to a reduction in the 5311 Grant of \$38,721; the Connections Grant of \$222,720; and Capital Grants of \$130,915; offset by increases in the STF Planning Grant of \$62,513 and a new Connections Grant of \$190,239. The increase in expenses was due to an increase in administration costs of \$17,931; depreciation expense of \$40,103; wages and salaries of \$51,704; and fuel and oil costs of \$38,113. A related increase in employee benefits made up much of the rest of the cost increases. All of these costs rose due to the increased routes and new equipment made available through ARRA funding in previous years.
- Overall, the financial position of the District improved from the prior year due to the opportunities provided by the 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 \$819,096 at June 30, 2011 and \$696,861 at the close of the fiscal year, June 30, 2010. The District's investment in capital assets (buildings and improvements, machinery and equipment, vehicles and other mobile equipment) is approximately 73% of total net assets at June 30, 2011 and was 81% of total net assets at June 30, 2010. 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, 2011, grant sources fell due to the reduction in the availability of American Recovery and Reinvestment Act dollars from the previous year. This was offset by an increase in fares and a new Operating Grant. For 2011-2012, grant revenue in general is expected to continue to fall, although transportation funds seem to be less subject to cutbacks than other Federal and State dollars. The previous years' investments in new assets and infrastructure should allow an increase in routes and fares if the ridership is available; although, these will be offset by resulting increased operating costs.

	Net Assets			
	2011	2010	Difference	%
Current assets	\$ 326,048	\$ 252,419	\$ 73,629	29.2%
Capital assets	598,612	567,769	30,843	5.4%
Total assets	924,660	820,188	104,472	12.7%
Current liabilities	105,564	123,327	(17,763)	-14.4%
Total liabilities	105,564	123,327	(17,763)	-14.4%
Invested in capital assets	598,612	567,769	30,843	5.4%
Unrestricted	220,484	129,092	91,392	70.8%
Total net assets	\$ 819,096	\$ 696,861	\$ 122,235	17.5%

Changes in Net Assets

	2011	2010	Difference	%
Grants & donations	\$ 881,914	\$ 1,023,078	\$ (141,164)	-13.8%
Fares & service fees	90,834	67,085	23,749	35.4%
Other services	24,890	26,260	(1,370)	-5.2%
Total operating revenues	997,638	1,116,423	(118,785)	-10.6%
Personal services	407,814	427,660	(19,846)	-4.6%
Materials and services	348,363	199,793	148,570	74.4%
Depreciation	119,226	79,123	40,103	50.7%
Total operating expense	875,403	706,576	168,827	23.9%
Operating income	122,235	409,847	(287,612)	-70.2%
Change in net assets	122,235	409,847	(287,612)	-70.2%
Beginning net assets	696,861	287,014	409,847	142.8%
Ending net assets	\$ 819,096	\$ 696,861	\$ 122,235	17.5%

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 CCAT from ODOT's Public Transit Division. Funds are secured through June 30, 2013, barring rescission, as the upcoming year is the first year of the 2 year grant cycle.
- CCAT receives Sec.5311 (Rural and Small Cities) grant funds from ODOT Public Transit Division. The upcoming year will see a slight increase in the Sec. 5311 funds in comparison to the previous year. However, ODOT is looking at a revision of the distribution formula which could affect dollars coming to Coos County. Also, recently ODOT has floated questions as to how provider agencies, such as CCAT, would get along with 30% less in 5311 funds. This sounds like it is coming from Federal Transit Administration.
- As Coos County's contracted transit provider, CCAT also receives the State of Oregon Special Transportation (STF) Funds. STF funds for the 2011-13 biennium are set to the extent that ODOT is willing to commit to at this time. As of now, CCAT will also be receiving a \$15,000 increase in each of the two years, in STF special transportation operating funds.

- While CCAT ridership did expand significantly in 2010-11, due to decreases in funding we expect ridership to shrink commensurate with reduction in service hours at all levels during 2011-12.
- The uncertainty in fuel markets will continue through 2011-2012, although the District's costs are mitigated somewhat by contracts with the county.
- ODOT has hinted there may be more capital funds available for new vehicles and CCAT would like to purchase 2 new vehicles, if possible.

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, 2810 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, 2011**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 60,249
Receivables:	
Accounts	3,388
Grants	249,406
Prepaid expenses	<u>13,005</u>
Total current assets	<u>326,048</u>

Noncurrent Assets:

Land	117,743
Capital assets (net of accumulated depreciation)	<u>480,869</u>
Total noncurrent assets	<u>598,612</u>
Total assets and other debits	<u>924,660</u>

LIABILITIES

Current Liabilities:

Accounts payable	42,664
Accrued payroll liabilities	19,632
Compensated absences payable	<u>33,268</u>
Total current liabilities	95,564
Long-term contract payable	<u>10,000</u>
Total liabilities	<u>105,564</u>

NET ASSETS

Capital assets, net of related debt	598,612
Unrestricted net assets	<u>220,484</u>
Total Net Assets	<u><u>\$ 819,096</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 REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011**

Operating revenues:		
Intergovernmental	\$	739,496
Charges for services		<u>122,411</u>
Total operating revenue		<u>861,907</u>
Operating expenses:		
Personal services		407,814
Materials and services		348,363
Depreciation		<u>119,226</u>
Total operating expenses		<u>875,403</u>
Operating income (loss)		(13,496)
Non-operating revenue (expenses):		
Capital grants		<u>135,731</u>
Change in net assets		122,235
Net assets - beginning of year		<u>696,861</u>
Net assets - end of year	\$	<u><u>819,096</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, 2011**

Cash flows from operating activities:

Cash received from customers	\$ 119,491
Cash received from grantors	551,415
Cash payments to suppliers for goods and services	(330,627)
Cash payments to employees for services	<u>(401,492)</u>
Net cash provided (used) by operating activities	<u>(61,213)</u>

Cash flows from capital and related financing activities:

Capital grants	135,731
Capital expenditures	(150,068)
Payments on contract payable	<u>(10,000)</u>
Net cash provided (used) by capital and related financing activities	<u>(24,337)</u>

Net increase (decrease) in cash and cash equivalents (85,550)

Cash and cash equivalents - beginning of year 145,799

Cash and cash equivalents - end of year \$ 60,249

Reconciliation of operating income (loss) to net cash

Operating income (loss)	<u>\$ (13,496)</u>
Adjustments to reconcile operating gain (loss) to net cash provided in operating activities:	
Depreciation	119,226
(Increase) decrease in receivables	(157,795)
(Increase) decrease in prepaids	(1,384)
Increase (decrease) in accounts payable and accrued expenses	25,441
Increase (decrease) in deferred revenue	<u>(33,205)</u>
Total adjustments	<u>(47,717)</u>
Net cash provided (used) by operating activities	<u>\$ (61,213)</u>

Noncash capital and related financing activities:

Contributions of capital assets from other governments	<u>\$ 6,687</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, 2011**

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 (the District) consists of the three members of the Coos County Commission.

The District is a separate legal entity, governed by Coos County. However, since the County Board of Commissioners serves as the governing body of the District they are able to impose its will on the District. Therefore, under the criteria set by Governmental Accounting Standards Board (GASB), the District is considered a component unit of Coos County. The District's financial activities are included as a blended component unit in the basic financial statements of Coos County, because a financial benefit/burden relationship exists.

The District's financial statements are included in the financial statements of the County as a special revenue fund.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units, as defined under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. Based on the application of the criteria established by GASB, there are no potential component units of the District.

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 GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

1. Basis of Presentation

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.

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 initial estimated useful life extending beyond a single reporting period. 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 – 25 years
Machinery and equipment	5 – 15 years
Vehicles and other mobile equipment	2 – 5 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 Statement No. 40, *Deposit and Investment Risk Disclosures*, requires governmental agencies to disclose an indication of the level of risk assumed by the entity at year-end. 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. For deposits in excess of federal depository insurance, Oregon Revised Statutes now require that the financial institution participate in the Public Funds Collateralization Program. The Public Funds Collateralization Program is a multiple financial institution collateral pool administered by the Oregon State Treasurer's office.

For the fiscal year ended June 30, 2011, the District had \$50 in petty cash, the carrying amounts of the District's deposits in a financial institution were \$60,199 and the bank balance was \$65,101. All deposits are held in the name of the District in a non-interest bearing checking account. Of the bank balance, \$65,101 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.

Effective July 1, 2008, the Oregon State Treasurer became responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extent required by Oregon Revised Statutes (ORS) 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third party custodian bank securities having a value of 10 percent, 25 percent, or 110 percent of public funds on deposit depending primarily on the capitalization level of the depository bank. Any amount of District deposits covered by the state collateral pool is not exposed to custodial credit risk because the collateral is considered to be held by a third party custodian bank and also in the District's name.

B. Receivables

Receivables as of the fiscal year end are as follows:

	<u>2011</u>
Accounts receivable	\$ 3,388
Grants receivable	<u>249,406</u>
Net total receivables	<u>\$ 252,794</u>

C. Capital Assets

Capital asset activity of the District for the fiscal year ended June 30, 2011 was as follows:

	Balance 07/01/10	Increases	Decreases	Balance 06/30/11
Nondepreciable capital assets:				
Land	\$ 117,743	\$ -	\$ -	\$ 117,743
Depreciable capital assets				
Vehicles and mobile equipment	508,803	141,961	30,900	619,864
Buildings	180,991	8,107	-	189,098
Machinery and equipment	24,874	-	-	24,874
Total depreciable capital assets	714,668	150,068	30,900	833,836
Less accumulated depreciation				
Vehicles and mobile equipment	(213,769)	(103,918)	30,900	(286,787)
Buildings	(47,577)	(11,468)	-	(59,045)
Machinery and equipment	(3,296)	(3,839)	-	(7,135)
Total accumulated depreciation	(264,642)	(119,225)	30,900	(352,967)
Total depreciable capital assets (net)	450,026	30,843	-	480,869
Total capital assets (net)	\$ 567,769	\$ 30,843	\$ -	\$ 598,612

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, 2010 was \$20,000. A \$10,000 payment was made during the current year, and the outstanding balance of this loan at June 30, 2011 was \$10,000.

E. Compensated Absences Payable

At June 30, 2011, compensated absences payable were as follows:

	Balance 07/01/10	Additions	Reductions	Balance 06/30/11	Due Within One Year
Compensated absences	\$ 29,650	\$ 33,292	\$ 29,674	\$ 33,268	\$ 33,268

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, 2011 was \$29,496.

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 (GASB 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 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 grant was a reimbursement type grant, and the District did not have funds on hand adequate to purchase the buses on their own. The advance was interest free, and the District repaid the loan in December 2010 when the grant monies were received.

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, 2011**

	Final Budget	Actual on Budgetary Basis	Variance
Revenues:			
Advertising	\$ 7,000	\$ 4,890	\$ (2,110)
Fares	75,000	70,636	(4,364)
Grant revenue	855,520	875,227	19,707
Local funds	18,000	18,000	-
Service contracts	17,500	20,198	2,698
Other	4,920	2,000	(2,920)
Total revenues	977,940	990,951	13,011
Expenditures:			
Personal services:			
Drivers/dispatch wage and fringe	435,869	404,556	31,313
Adminstration salary and fringe	154,078	100,192	53,886
Total personal services	589,947	504,748	85,199
Materials and services:			
Communications	2,500	-	2,500
Employee testing	4,000	2,023	1,977
Facilities overhead	50,693	34,170	16,523
Fuel/oil	110,000	109,103	897
Indirect adminstration	64,000	53,228	10,772
Sub-contracts/purchased trasportation	1,000	112	888
Tires	12,000	6,235	5,765
Travel	5,000	4,315	685
Vehicle insurance/licenses	23,920	21,533	2,387
Vehicle maintenance	30,000	16,843	13,157
Other expenses	6,090	250	5,840
Total materials and services	309,203	247,812	61,391
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, 2011**

	Final Budget	Actual	Variance
Other expenditures:			
Capital outlay	\$ 147,226	\$ 143,381	\$ 3,845
Contingency	50,000	-	50,000
Total other expenditures	197,226	143,381	53,845
Total expenditures	1,106,376	905,941	200,435
Net change in fund balance	(128,436)	85,010	213,446
Fund balance at beginning of year	128,436	178,742	50,306
Fund balance at end of year	\$ -	263,752	\$ 263,752
Reconciliation to GAAP basis net assets:			
Long-term debt		(10,000)	
Accrued compensation		(33,268)	
Capital assets, net of depreciation		598,612	
GAAP basis net assets		\$ 819,096	

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 20, 2011

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, 2011, and have issued our report thereon dated October 20, 2011. 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 state and other 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.

A handwritten signature in cursive script that reads "Stanley MacAdam, CPA". The signature is written in black ink and is positioned above a horizontal line.

Hough, MacAdam & Wartnik, LLC
Certified Public Accountant

INDEPENDENT AUDITOR'S COMMENTS

JUNE 30, 2011

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 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 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, 2011, 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.

Public Contracts and Purchasing

Based on the results of our tests and our review of the minutes, the District appears to be in compliance with the provisions of ORS 279 pertaining to the awarding of public contracts and the construction of public improvements.

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.



**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 20, 2011

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 programs for the year ended June 30, 2011. The Coos County Area Transit Service District's major federal programs are 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 programs are 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 programs for the year ended June 30, 2011.

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 programs 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, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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, the Coos County Board of Commissioners, 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.


Hough, 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, 2011**

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 programs tested as major program were:

Department of Transportation cluster:

Capital Assistance Program for Elderly & Disabled Persons	CFDA # 20.513
New Freedom Program	CFDA # 20.521

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Coos County Area Transit Service District did not qualify as a low-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, 2011

<u>Grant Title</u>	<u>CFDA #</u>	<u>Award Amount</u>	<u>Pass through Agency Number</u>	<u>2010-11 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	\$ 19,512
Capital Assistance Program for Elderly Persons and Persons with Disabilities - Preventative Maintenance	20.513 *	24,429	#26044	11,694
Capital Assistance Program for Elderly Persons and Persons with Disabilities - Capital Vehicle Purchase	20.513 *	126,948	#26500	126,948
Formula Grants Other than Urbanized Areas	20.509	189,192	#26671	<u>161,586</u>
<u>Total passed through Oregon Department of Transportation</u>				<u>319,740</u>
Passed through Coos County				
Capital Assistance Program for Elderly Persons and Persons with Disabilities - Operations	20.513 *	215,626	#26043	107,814
Capital Assistance Program for Elderly Persons and Persons with Disabilities- JTA Operations	20.513 *	190,238	#26499	<u>190,238</u>
<u>Total passed through Coos County</u>				<u>298,052</u>
<u>Total U.S. Department of Transportation</u>				<u>617,792</u>
Total Federal Financial Assistance				<u>\$ 617,792</u>

* indicates a major program cluster

**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, 2011**

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.