



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

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
For the Fiscal Year Ended June 30, 2012**

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DISTRICT OFFICIALS

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
DISTRICT OFFICIALS
June 30, 2012**

DISTRICT OFFICIALS:

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

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

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

REGISTERED AGENT:

Bruce Bennett
2810 Ocean Boulevard
Coos Bay, OR 97420

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

October 17, 2012

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, 2012, 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.

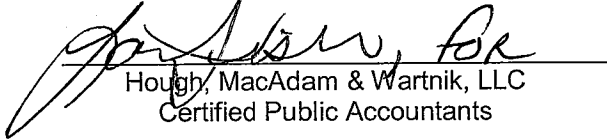
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2012, and the respective changes in financial position and 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 17, 2012, 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 considered in assessing 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 management's discussion and analysis 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 as a whole. 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 of the Coos County Area Transit Service District. The supplementary information 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 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, 2012**

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, 2012. We encourage readers to consider the information here in conjunction with the accompanying basic financial statements.

Overview

Fiscal Year 2011-2012 represented the first year of a biennium forcing some severe cut-backs in services due to cutbacks in grant funding for Coos County Area Transit Service District (C-CAT). The problem with pass-through funding is that entities like C-CAT never get the funding exactly when it is needed, and by the time it is received the money can't be spent in a timely fashion in order to receive the full benefits. With FTA grant monies received through ODOT, there don't seem to be extensions. We may have received grant agreements that purport to begin at the start of a biennium, when in reality the money is not received until the 2nd or 3rd quarter. That finally caught up with C-CAT FY 2011-2012. Our hard work building service by extending hours went for naught. While ridership remains strong, we were forced to reduce service hours by at least a third in all areas. Comparing rides from FY 2010-2011 where C-CAT provided over 58,000 unduplicated rides via the most ambitious service schedule to this year's 47,000 rides on a reduced service load proves that point rather succinctly.

Refreshing the background story, 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, 2011 through June 30, 2012 services were provided on a Monday-through-Friday basis including two fixed routes and now three instead of four vehicles providing demand-response service operating around the Coos Bay-North Bend area. Operating hours for each unit and the dispatch office were reduced from 13 hours per day to 8. A combination of dial-a-ride and inter-community service in Bandon and Coquille were held at 8-hours per day Monday through Friday, but Myrtle Point was reduced from 6 hours per day. Once-a-week shopping runs continued to be provided for Powers, and Lakeside service was extended to include Reedsport/Winchester Bay due to a separate grant arrangement with Douglas County.

The fixed-route Loop Bus service, though reduced in hours, continued to perform well and provide nearly half of our riders system-wide. The service is designed for general public use but is also accessible by seniors and people with disabilities. Adult fares remain set at \$1.25 per boarding. Kids ages 6 through 17 ride for just \$.50. The combined fixed route service carried 23,772 passengers; representing a 23% decrease 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. 27,348 passengers used this service in Coos County in FY 2010-2011, but we saw a whopping 15% decrease, or 23,355 riders in FY 2011-2012.

In Fiscal Year 2011-2012 Coos County Area Transit Service District consisted of a staff of 12 paid drivers throughout the system, and 2 paid dispatchers in Coos Bay. Dispatching staff in Myrtle Point and Bandon continue to operate out of their respective senior centers and are volunteers, consisting of 2 volunteers in Myrtle Point and 8 in Bandon. Volunteers tend to fluctuate in number.

Looking Forward

Forecasting for fiscal 2012-2013 income and service should look pretty much exactly like 2011-2012 according to the budget. By going back to pre-ARRA or stimulus levels, C-CAT was able to make ends meet in 2011-2012. Service and staffing levels will be nearly identical. This is not necessarily good news for riders, but it does represent survival mode for C-CAT. By mid-October, ODOT should have its funding plans rolled out for the coming biennium. First is the Discretionary funding program that allocates Special Transportation funds, and Section 5310 federal funds. We have applied for these grants in the name of the county, who then purchases service from C-CAT. Vehicles have also been part of this process. C-CAT has just ordered a new Dial-a-ride bus through this program and it should be arriving around the first of the year.

ODOT itself will be drastically slimmed-down and streamlined in all divisions in the coming year. Public Transit Division staff will have been gently pushed out of the Salem-based "silo" with lead staffers assigned to regions throughout the state. C-CAT resides in Region 3. We are represented by a regular ODOT staffer and a planner. The region consists of Coos, Curry, Douglas, Josephine, and Jackson Counties. One of the biggest funding changes is our participation in ODOT's STIP (State Transportation Improvement Plan). The grant applications for the upcoming STIP are of two types. The first is called "Fix It" with emphasis on maintaining everything on ODOT's purview from roads to bridges, rails to transit fleets, sidewalks to signals.

The second type of grant covered by the STIP is called "Enhance It". As the name suggests, projects that would enhance service will be selected for the next cycle. The bus transfer center C-CAT and the City of Coos Bay have been working on could be included on this list. Helping to decide which projects get the nod for each region would fall, in part, to the Area Commissions on Transportation (ACTS). The ACTS would help prioritize and rank all of the applications. Our ACT is the Southwestern Area Commission on Transportation (SWACT) which includes Douglas, Coos and Curry Counties. The next STIP cycle is for 2016-2019, so careful planning and attention to all details will be important in submitting and selecting the projects.

The Last Federal program C-CAT participates with is the Section 5311 Rural and Small Cities program. Coos County receives an allocation based on formulae. This year, 2012-2013 we received an allocation of approximately \$226,000, but the required eligible match of about 46% makes this grant somewhat onerous.

C-CAT Particulars

The agreement with Coos County that allows C-CAT to provide for public transit service county-wide was renewed through June 30, 2013. The vehicle maintenance agreement has recently been renewed through June 30, 2014. The fuel is now all purchased by cardlock through Carson-Davis Oil. 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, 2012 by \$648,674 – a decrease of \$170,422.
- The District's revenues for the 2011-2012 fiscal year decreased by \$379,996 from the prior year, while the expenses also decreased by \$87,339. The revenue decrease was due to the expiration of the Operating Grant and non-receipt of any Capital Grants, resulting in a decrease of \$317,187. In addition, cutbacks to the 5310 and STF Grants resulted in another \$59,584 shortfall and fares were down by approximately \$20,000, which offset small increases in several other grant revenues. The decrease in expenses was due mainly to a cut backs in administration costs and payroll expenses attributable to fewer work hours. Costs for fuel and oil, tires, and insurance, decreased due to cut backs in hours and routes although maintenance costs were up.

- Overall, the financial position of the District has diminished noticeably from the prior year due to contraction back to pre-ARRA funding levels.

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 \$648,674 at June 30, 2012 and \$819,096 at the close of the fiscal year, June 30, 2011. The District's investment in capital assets (buildings and improvements, machinery and equipment, vehicles and other mobile equipment) is approximately 75% of total net assets at June 30, 2012 and was 73% of total net assets at June 30, 2011. 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 declined in the current year. C-CAT 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, 2012, grant resources declined due to the continued uncertainty of the economy and an overall reduction in available state and federal grants. The 2012-2013 grant revenue is expected to remain relatively steady from the year just ended as it is the second year of the two year state biennium. Increases or decreases in ridership and fares will most likely be due to up or down swings in the economy and fluctuations in gas prices at the pump.

Net Assets

	2011	2010	Difference	%
Current assets	\$ 238,481	\$ 326,048	\$ (87,567)	-26.9%
Capital assets	485,093	598,612	(113,519)	-19.0%
Total assets	723,574	924,660	(201,086)	-21.7%
Current liabilities	74,900	105,564	(30,664)	-29.0%
Total liabilities	74,900	105,564	(30,664)	-29.0%
Invested in capital assets	485,093	598,612	(113,519)	-19.0%
Unrestricted	163,581	220,484	(56,903)	-25.8%
Total net assets	\$ 648,674	\$ 819,096	\$ (170,422)	-20.8%

Changes in Net Assets

	2011	2010	Difference	%
Grants & donations	\$ 515,899	\$ 881,914	\$ (366,015)	-41.5%
Fares & service fees	71,852	90,834	(18,982)	-20.9%
Other services	29,891	24,890	5,001	20.1%
Total operating revenues	617,642	997,638	(379,996)	-38.1%
Personal services	329,895	407,814	(77,919)	-19.1%
Materials and services	338,079	348,363	(10,284)	-3.0%
Depreciation	120,090	119,226	864	0.7%
Total operating expense	788,064	875,403	(87,339)	-10.0%
Operating income	(170,422)	122,235	(292,657)	-239.4%
Change in net assets	(170,422)	122,235	(292,657)	-239.4%
Beginning net assets	819,096	696,861	122,235	17.5%
Ending net assets	\$ 648,674	\$ 819,096	\$ (170,422)	-20.8%

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, 2013 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 increase in the Sec. 5311 funds in comparison to the previous year due to the usage of the remaining available funds in the second half of the biennium.
- As part of C-CAT's commitment to providing safe, secure, quality alternative transport in the Coos County area, C-CAT has secured funding for a new bus purchase in 2012-2013. C-CAT also continues to partner with the City of Coos Bay and ODOT for space and funding to locate a new transfer site in downtown Coos Bay. The transfer site will be a multi-year project and benefit most riders in Coos County, as well as being a transfer point for riders from Curry and Douglas county bus lines.

- C-CAT ridership for fiscal 2012-13 should remain relatively stable as customers readjust to the cutbacks in routes and hours in the previous year. It is hoped that other sources of funding will be found to reinstate cut services, but this is more a long term goal and will depend on changes in both federal and state priorities. Ridership numbers also tend to fluctuate in conjunction with the price of gas.
- The uncertainty in fuel markets will continue through 2012-2013, although the District's costs are mitigated somewhat by contracts with the county and local card-lock services.
- Mr. Bruce Bennett, the C-CAT Transit Manager, retired on August 31, 2012. He had been the program manager since February 28, 2002. Mr. Bennett was replaced by Mr. Russell Pederson who began working for C-CAT on March 17, 2008. C-CAT anticipates no major changes in operations or programs due to this planned succession. The operations agreement with South Coast Business Employment Corporation remains in force.

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. Russell Pedersen 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, 2012**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 107,116
Receivables:	
Accounts	918
Grants	118,449
Prepaid expenses	<u>11,998</u>
Total current assets	<u>238,481</u>

Noncurrent Assets:

Land	117,743
Capital assets (net of accumulated depreciation)	<u>367,350</u>
Total noncurrent assets	<u>485,093</u>
Total assets and other debits	<u>723,574</u>

LIABILITIES

Current Liabilities:

Accounts payable	25,106
Accrued payroll liabilities	16,652
Compensated absences payable	<u>33,142</u>
Total liabilities	<u>74,900</u>

NET ASSETS

Capital assets, net of related debt	485,093
Unrestricted net assets	<u>163,581</u>
Total Net Assets	<u><u>\$ 648,674</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, 2012**

Operating revenues:		
Intergovernmental	\$	494,366
Charges for services		<u>116,743</u>
Total operating revenue		<u>611,109</u>
Operating expenses:		
Personnel services		329,895
Materials and services		338,079
Depreciation		<u>120,090</u>
Total operating expenses		<u>788,064</u>
Operating income (loss)		(176,955)
Non-operating revenue (expenses):		
Capital grants		<u>6,533</u>
Change in net assets		(170,422)
Net assets - beginning of year		<u>819,096</u>
Net assets - end of year	\$	<u><u>648,674</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, 2012**

Cash flows from operating activities:

Cash received from customers	\$ 119,213
Cash received from grantors	625,323
Cash payments to suppliers for goods and services	(354,630)
Cash payments to employees for services	<u>(333,001)</u>
 Net cash provided (used) by operating activities	 <u>56,905</u>

Cash flows from capital and related financing activities:

Capital grants	6,533
Capital expenditures	(6,571)
Payments on contract payable	<u>(10,000)</u>
 Net cash provided (used) by capital and related financing activities	 <u>(10,038)</u>

Net increase (decrease) in cash and cash equivalents	46,867
Cash and cash equivalents - beginning of year	<u>60,249</u>
Cash and cash equivalents - end of year	<u>\$ 107,116</u>

Reconciliation of operating income (loss) to net cash

Operating income (loss)	\$ <u>(176,955)</u>
Adjustments to reconcile operating gain (loss) to net cash provided in operating activities:	
Depreciation	120,090
(Increase) decrease in receivables	133,427
(Increase) decrease in prepaids	1,007
Increase (decrease) in accounts payable and accrued expenses	<u>(20,664)</u>
Total adjustments	<u>233,860</u>
 Net cash provided (used) by operating activities	 <u>\$ 56,905</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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 Board of Commissioners.

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 financially accountable for the District and able to impose their 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 the District's governing body is the same as that of the County *and* there is a financial benefit/burden relationship between the two.

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 are 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 personnel 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.

B. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations for the fiscal year ended June 30, 2012 in the following amounts:

General Fund	
Personnel Services	<u>\$ 2,485</u>
Materials and Services	<u>\$ 10,852</u>

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 requires 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, 2012, the District had \$50 in petty cash, the carrying amounts of the District's deposits in a financial institution were \$107,066 and the bank balance was \$113,528. All deposits are held in the name of the District in a non-interest bearing checking account. All of these deposits were 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>2012</u>
Accounts receivable	\$ 918
Grants receivable	<u>118,449</u>
Net total receivables	<u>\$ 119,367</u>

C. Capital Assets

Capital asset activity of the District for the fiscal year ended June 30, 2012 was as follows:

	Balance 7/1/2011	Increases	Decreases	Balance 6/30/2012
Nondepreciable capital assets:				
Land	\$ 117,743	\$ -	\$ -	\$ 117,743
Depreciable capital assets:				
Vehicles and mobile equipment	619,864	-	25,750	594,114
Buildings	189,098	38	-	189,136
Machinery and equipment	24,874	6,533	-	31,407
Total depreciable capital assets	833,836	6,571	25,750	814,657
Less accumulated depreciation:				
Vehicles and mobile equipment	(286,787)	(103,194)	25,750	(364,231)
Buildings	(59,045)	(12,202)	-	(71,247)
Machinery and equipment	(7,135)	(4,694)	-	(11,829)
Total accumulated depreciation	(352,967)	(120,090)	25,750	(447,307)
Total depreciable capital assets (net)	480,869	(113,519)	-	367,350
Total capital assets (net)	\$ 598,612	\$ (113,519)	\$ -	\$ 485,093

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, 2011 was \$10,000. A \$10,000 payment was made during the current year, so the outstanding balance of this loan at June 30, 2012 is zero.

E. Compensated Absences Payable

At June 30, 2012, compensated absences payable were as follows:

	Balance 7/1/2011	Additions	Reductions	Balance 6/30/2012	Due Within One Year
Compensated absences	\$ 33,268	\$ 27,943	\$ 28,069	\$ 33,142	\$ 33,142

F. Leases

Operating leases: The District leases a copy machine under a non-cancelable operating lease. Total cost for the lease was \$1,649 for the fiscal year ended June 30, 2012. The future minimum payments for these leases are as follows:

<u>Fiscal Year</u>	<u>Payments</u>
2012-2013	\$ 1,649
2013-2014	275
	<u>\$ 1,924</u>

IV. OTHER INFORMATION

A. Pension Plan

The District provides a Simplified Employee Pension Plan (SEPP) for all eligible employees. Under the plan, the District contributes 12% of each eligible employee's gross wage (excluding overtime and termination pay). The total contribution for the fiscal year ended June 30, 2012 was \$29,009.

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.

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, 2012**

	Final Budget	Actual on Budgetary Basis	Variance
Revenues:			
Advertising	\$ 6,000	\$ 6,200	\$ 200
Fares	61,000	50,685	(10,315)
Grant revenue	486,388	515,899	29,511
Local funds	18,000	20,125	2,125
Service contracts	17,500	21,167	3,667
Other	2,921	3,566	645
Total revenues	591,809	617,642	25,833
Expenditures:			
Personnel services:			
Drivers/dispatch wage and fringe	318,747	330,021	(11,274)
Adminstration salary and fringe	118,279	109,490	8,789
Total personnel services	437,026	439,511	(2,485)
Materials and services:			
Communications	250	829	(579)
Employee testing	1,500	804	696
Facilities overhead	43,175	34,655	8,520
Fuel/oil	90,000	97,264	(7,264)
Indirect adminstration	35,000	47,097	(12,097)
Sub-contracts/purchased trasportation	250	7	243
Tires	7,000	4,644	2,356
Travel	5,000	2,490	2,510
Vehicle insurance/licenses	21,100	17,092	4,008
Vehicle maintenance	13,000	23,683	(10,683)
Other expenses	1,500	62	1,438
Total materials and services	217,775	228,627	(10,852)
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, 2012**

	Final Budget	Actual	Variance
Other expenditures:			
Capital outlay	\$ 6,533	\$ 6,533	\$ -
Contingency	1,000	-	1,000
Total other expenditures	7,533	6,533	1,000
Total expenditures	672,334	684,671	(12,337)
Net change in fund balance	(80,525)	(67,029)	13,496
Fund balance at beginning of year	80,525	263,752	183,227
Fund balance at end of year	\$ -	196,723	\$ 196,723
Reconciliation to GAAP basis net assets:			
Accrued compensation		(33,142)	
Capital assets, net of depreciation		485,093	
GAAP basis net assets		\$ 648,674	

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 17, 2012

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, 2012, and have issued our report thereon dated October 17, 2012. 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

Management of the District is responsible for establishing and maintaining effective 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.

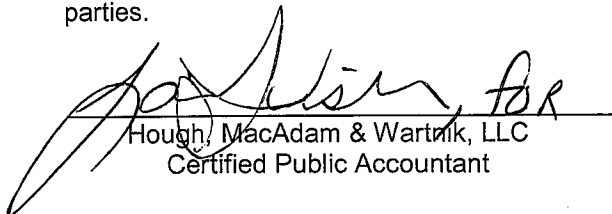
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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.



Hough, MacAdam & Wartnik, LLC
Certified Public Accountant

INDEPENDENT AUDITOR'S COMMENTS

JUNE 30, 2012

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.

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.

The resolution authorizing appropriations sets the level by which expenditures cannot legally exceed appropriations. Total personnel 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.

Based on the results of our tests, the District was in compliance with Local Budget Law except as follows:

Expenditures exceeded appropriations in the following amounts:

General Fund	
Personnel Services	<u>\$ 2,485</u>
Materials and Services	<u>\$ 10,852</u>

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, 2012, 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 legal requirements 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.

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

Statement of Accountability for Independently Elected Officials

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