



Coos County Area Transit

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

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
For the Fiscal Year Ended June 30, 2018**

TABLE OF CONTENTS

	<u>Page</u>
DISTRICT OFFICIALS	1
FINANCIAL SECTION:	
Independent Auditor's Report	2 - 4
Management's Discussion and Analysis	5 - 9
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to the Basic Financial Statements	13 - 18
SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis):	
General Fund	19 - 20
ACCOMPANYING INFORMATION:	
Report of Independent Auditor Required By Oregon State Regulations	21 - 22
Report on Internal Control and on Compliance and Other Matters - Government Auditing Standards	23 - 24

DISTRICT OFFICIALS

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
DISTRICT OFFICIALS
June 30, 2018**

DISTRICT OFFICIALS:

Melissa Cribbins, Chair – December 31, 2020
250 N. Baxter
Coquille, OR 97423

Bob Main, Commissioner – December 31, 2020
250 N. Baxter
Coquille, OR 97423

John Sweet, Commissioner – December 31, 2018
250 N. Baxter
Coquille, OR 97423

REGISTERED AGENT:

Melissa Metz
93781 Newport Lane
Coos Bay, OR 97420

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

December 21, 2018

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

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coos County Area Transit Service District as of June 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Supplementary Information

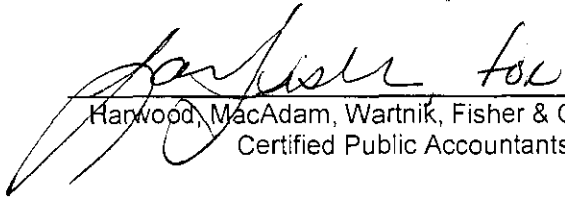
Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Coos County Area Transit Service District. The supplementary information as shown in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Coos County Area Transit Service District.

This 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.

Other Reporting Required by *Government Auditing Standards* and Oregon Revised Statutes

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, 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 agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the Coos County Area Transit District's internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 21, 2018, on our consideration of the Coos County Area Transit Service District's compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-0000 to 162-010-0330. The purpose of that report is to describe our testing of compliance and the results of that testing and not to provide an opinion on compliance. Accordingly, we do not express such an opinion.



Harwood, MacAdam, Wartnik, Fisher & Gorman, 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, 2018**

The following Management's Discussion and Analysis (MD&A) provides an overview for Coos County Area Transit District, a component unit of Coos County, Oregon, for the fiscal year that ended June 30, 2018. It is designed to assist the reader in focusing on significant financial issues, providing an overview of the District's financial activity, and identifying changes in the District's financial position.

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

Overview

Coos County Area Transit District continues to exist as a governmental entity without benefit of taxing authority, providing service virtually throughout the county. The District's financial statements consist of net position; statements of revenues, expenses, and changes in net position; and statement of cash flows. These statements offer short and long-term financial information about all the District's activities. For the period from July 1, 2017 through June 30, 2018 the following services were provided Monday-Friday, 10 1/2 hours each day:

- Two fixed routes: East and West Loops serving the Coos Bay-North Bend and Charleston area.
- Three vehicles providing complimentary paratransit and demand-response service operating around the Coos Bay-North Bend and Charleston area
- A combination service of demand response, and connector service for Coquille and Myrtle Point to Coos Bay-North Bend.
- One vehicle in Bandon operating demand response only.

Additional services include:

- Once-a-week service to and from Powers on Thursdays.
- Lakeside-Hauser Connector: This service operates Friday only, from North Bend to Lakeside, making stops in the community of Hauser in route to Coos Bay/North Bend. This service operates as a hybrid of Commuter and Fixed Route as it does a limited stops in-between each Commuter Route.
- A Veteran Shuttle was instituted at the end of May 2018. This is a free service which operates Tuesdays and Thursdays to Roseburg and Wednesdays to Eugene.

The fixed-route Loop Bus services have continued to perform well and generate 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 \$1.00 per boarding. Children ages 6 through 17 ride for just \$.50. The fixed-route Loop Bus services carried 22,895 passengers, up a slight increase of .09% from the previous year.

Dial-a-ride service accommodates the transportation needs of elderly and disabled. Fares are \$2.00 per one-way trip. In FY 2017-2018, services in Coos County were flat serving 26.1K passengers.

The District focuses on improving mobility in the region with a particular emphasis on coordination of services. Partnering with city and county planners, state agencies, Southwestern Oregon Community College, other transit districts and community based organizations. CCAT serves as a general advocate and promotes regional mobility improvements and development of multimodal travel.

Using This Annual Report

The basic financial statements are the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These financial statements were prepared using the accrual accounting method used by businesses in the private sector.

The Statement of Net Position presents the financial position of the District and provides information on all the assets and liabilities of the District, with the difference between the two being the District's net position. Increases or decreases in net position are one indicator of whether the District's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position provides the performance of the District over its fiscal year, which is the twelve-month period ending June 30, 2018. This statement presents the detail of how the net position presented on the statement of net position changed over the fiscal year. All activities that increase or decrease net position are reflected on this statement when they occur rather than when the related cash flow occurs.

The Statement of Cash Flows presents the increase or decrease in cash and cash equivalents during the fiscal year resulting from the operating, financing and investing activities of the District. This statement simply presents the increases and decreases in cash and cash equivalents without regard to related revenues/receivables and expenses/liabilities.

The notes to financial statements provide further information on the items reported in the basic financial statements. This information is essential for the reader of this report to acquire a full understanding of the amounts in the financial statements and other commitments and events not reflected in the financial statements. The supplementary information also provides further detail on operating expenses and the operating revenues of the District.

Financial Analysis of the District

Statement of Net Position

The following table provides a comparative analysis of the District's Net Position for the fiscal years ended June 30, 2018 and 2017. The District's net position increased from the prior year – increasing from \$525K to \$680K.

	<u>2018</u>	<u>2017</u>	<u>Difference</u>
ASSETS			
Current assets:			
Cash and Cash equivalents	\$ 313,284	\$ 182,878	\$ 130,406
Receivables:			
Accounts	2,514	6,935	(4,421)
Grants	88,936	33,865	55,071
Prepaid expenses	18,250	20,095	(1,845)
Total current assets	<u>422,984</u>	<u>243,773</u>	<u>179,211</u>
Non-current assets:			
Land	117,743	117,743	-
Capital assets (net of accumulated depreciation)	346,456	239,360	107,096
Total non-current assets	<u>464,199</u>	<u>357,103</u>	<u>107,096</u>
Total assets and other debits	<u>887,183</u>	<u>600,876</u>	<u>286,307</u>
Liabilities			
Current liabilities:			
Accounts payable	36,123	33,722	2,401
Accrued payroll liabilities	19,554	16,391	3,163
Grant advances	129,596	-	129,596
Compensated absences payable	22,087	25,864	(3,777)
Total liabilities	<u>207,360</u>	<u>75,977</u>	<u>131,383</u>
NET POSITION			
Net invested in capital assets	464,199	357,103	107,096
Unrestricted net position	<u>215,624</u>	<u>167,796</u>	<u>47,828</u>
Total Net Position	<u><u>679,823</u></u>	<u><u>524,899</u></u>	<u><u>154,924</u></u>

The District's total assets plus non-current assets were \$887.2K and total liabilities were \$207.3K as of June 30, 2018. Cash assets decreased as investments in new capital assets were made in the fiscal year 2017-2018.

The District's investment in capital assets (buildings and improvements, machinery and equipment, vehicles and other mobile equipment) is approximately 68% at June 30, 2018, which is nearly identical to last year's total net position at June 30, 2017, that was also roughly 68%. The District uses these capital assets to provide services to our customers; consequently, these assets are not available to finance day-to-day operations.

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes the changes in the District's Net Position for the fiscal years ended June 30, 2017 and 2018.

	2018	2017	Difference
Operating revenues:			
Intergovernmental	\$ 866,342	\$ 691,978	\$ 174,364
Charges for services	84,400	81,033	3,367
Donations	17,500	12,500	5,000
Total operating revenues	<u>968,242</u>	<u>785,511</u>	<u>182,731</u>
Operating expenses:			
Personal services	321,044	320,793	251
Materials and services	424,951	449,342	(24,391)
Depreciation	70,323	35,924	34,399
Total operating expense	<u>816,318</u>	<u>806,059</u>	<u>10,259</u>
Operating income (loss)	<u>151,924</u>	<u>(20,548)</u>	<u>172,472</u>
Non-operating revenue (expense)			
Donation of capital asset	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Change in net position	154,924	(20,548)	175,472
Net position - beginning of year	<u>524,899</u>	<u>545,447</u>	<u>(20,548)</u>
Net position - end of year	<u>\$ 679,823</u>	<u>\$ 524,899</u>	<u>\$ 154,924</u>

The financial position of the District is driven primarily by federal and state grant funding, which can vary widely from year to 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, 2018, grant resources did increase as we received a new state award from the Oregon Department of Veteran's Affairs. The 2018-2019 revenue is expected to increase \$250K over last year with the anticipated spring arrival of the Tribal Transit Grant and Statewide Transportation Improvement Funds from House Bill 2017.

Budgetary Highlights

The Board of Directors approved the District's budget for fiscal year 2017-2018 on May 16, 2017.

The CCAT revenue budget totaled \$958,836. Actual revenues were \$968,242. Total budgeted expenses were \$1,293,052. CCAT's actual expenses totaled \$924,191. Total operating expenses were \$369K under budget primarily due to the timing of grant awards that were anticipated in the 2017-2018 fiscal year but were delayed to 2018-19 or not funded.

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

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the District. Following are the major assumptions used in developing the FY 2018-19 budget:

- The local economy is realizing economic recovery. The changes between the recession (1st quarter 2010 and now (1st quarter 2018) are as follows: Overall, total nonfarm employment has added 1,793 jobs (8.6% growth rate). Healthcare has added 859 jobs (21.8% growth rate). Leisure and hospitality has added 454 (21.2% growth rate). Construction, which lead the plummet during the recession, is the leading growth industry (based on rate) at 36.6% or 259 jobs.
- Overall industry projections for 2017-2027 is expected to expand roughly 7 percent in total nonfarm payroll employment in Coos County. The number of projected jobs across all industries and occupational groups is 90,370 openings (most replacing departing workers).
- In the fourth quarter of the fiscal year, CCAT anticipates starting 3 new services: Powers/Coquille Food Bank; Saturday Fixed Route Services CB/NB; and a 3rd fixed loop CB/NB enhancing frequency of stops at critical service sites. We anticipate a conservative increase in ridership initially as the District implements the redesigned routes and riders get accustomed to the improved service. A more significant increase in ridership will happen after the first quarter of implementation. Ridership numbers also tend to fluctuate in conjunction with the price of gas, attrition of some of our power users and the overall reduction in the free tickets being issued by various entities.
- Due to continued challenge of recruiting and retaining talent, the Board has committed to realign compensation to compete in the local market.
- The uncertainty in fuel markets will continue through 2018-2019, although the District's costs are mitigated somewhat by contracts with the local card-lock services.

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. Sergio Gamino, Transit Manager, 93781 Newport Lane, 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 POSITION
June 30, 2018**

ASSETS

Current Assets:

Cash and cash equivalents	\$	313,284
Receivables:		
Accounts		2,514
Grants		88,936
Prepaid expenses		18,250
Total current assets		422,984

Noncurrent Assets:

Land		117,743
Capital assets (net of accumulated depreciation)		346,456
Total noncurrent assets		464,199
Total assets and other debits		887,183

LIABILITIES

Current Liabilities:

Accounts payable		36,123
Accrued payroll liabilities		19,554
Grant advances		129,596
Compensated absences payable		22,087
Total liabilities		207,360

NET POSITION

Net investment in capital assets		464,199
Unrestricted net position		215,624
Total Net Position	\$	679,823

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 POSITION
For the Year Ended June 30, 2018**

Operating revenues:	
Intergovernmental	\$ 866,342
Charges for services	84,400
Donations	<u>17,500</u>
Total operating revenue	<u>968,242</u>
Operating expenses:	
Personnel services	321,044
Materials and services	424,951
Depreciation	<u>70,323</u>
Total operating expenses	<u>816,318</u>
Operating income (loss)	<u>151,924</u>
Non-operating revenue (expenses):	
Donation of capital asset	<u>3,000</u>
Change in net position	154,924
Net position - beginning of year	<u>524,899</u>
Net position - end of year	<u><u>\$ 679,823</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, 2018**

Cash flows from operating activities:

Cash received from customers	\$ 106,321
Cash received from grantors	940,867
Cash payments to suppliers for goods and services	(420,705)
Cash payments to employees for services	<u>(321,658)</u>
 Net cash provided (used) by operating activities	 <u>304,825</u>

Cash flows from capital and related financing activities:

Capital expenditures	<u>(174,419)</u>
 Net increase (decrease) in cash and cash equivalents	 130,406
 Cash and cash equivalents - beginning of year	 <u>182,878</u>
 Cash and cash equivalents - end of year	 <u>\$ 313,284</u>

Reconciliation of operating income (loss) to net cash

Operating income (loss)	\$ 151,924
Adjustments to reconcile operating gain (loss) to net cash provided in operating activities:	
Depreciation	70,323
(Increase) decrease in receivables	(50,650)
(Increase) decrease in prepaids	1,845
Increase (decrease) in accounts payable and accrued expenses	1,787
Increase (decrease) in grant advances	<u>129,596</u>
 Total adjustments	 <u>152,901</u>
 Net cash provided (used) by operating activities	 <u>\$ 304,825</u>

Cash operating activities included \$3,000 in donated capital assets for the year ended June 30, 2018.

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, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Coos County Area Transit Service District (a 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, fundraisers, 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 an enterprise 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 the 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 Position*

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, this occurs when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or law or regulations of other governments. There was no restricted net position at June 30, 2018.

Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resource that are not included in the determination of net investment in capital assets or the restricted component of net position.

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 appropriation 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 requires that the financial institution participates 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, 2018, the District had \$50 in petty cash, the carrying amounts of the District's deposits in a financial institution were \$313,234 and the bank balance was \$319,606. All deposits are held in the name of the District in a non-interest bearing checking account. Of the bank balance, \$250,000 was insured by the Federal Depository Insurance Corporation, while the remaining \$69,606 was insured by the Public Funds Collateralization Program (PFCP).

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.

The Oregon State Treasurer is 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. Deposits in the Public Funds Collateralization Pool are not 100 percent guaranteed.

B. Capital Assets

Capital asset activity of the District for the fiscal year ended June 30, 2018 was as follows:

	Balance 6/30/2017	Increases	Decreases	Balance 6/30/2018
Nondepreciable capital assets:				
Land	\$ 117,743	\$ -	\$ -	\$ 117,743
Depreciable capital assets:				
Vehicles and mobile equipment	794,891	177,419	58,536	913,774
Buildings	206,960	-	-	206,960
Machinery and equipment	55,248	-	-	55,248
Total depreciable capital assets	1,057,099	177,419	58,536	1,175,982
Less accumulated depreciation:				
Vehicles and mobile equipment	(663,819)	(57,726)	58,536	(663,009)
Buildings	(113,261)	(7,068)	-	(120,329)
Machinery and equipment	(40,659)	(5,529)	-	(46,188)
Total accumulated depreciation	(817,739)	(70,323)	58,536	(829,526)
Total depreciable capital assets (net)	239,360	107,096	-	346,456
Total capital assets (net)	\$ 357,103	\$ 107,096	\$ -	\$ 464,199

C. Compensated Absences Payable

At June 30, 2018, compensated absences payable were as follows:

	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018	Due Within One Year
Compensated absences	\$ 25,864	\$ 22,611	\$ 26,388	\$ 22,087	\$ 22,087

D. Leases

Operating leases: The District leases a copy machine under a non-cancelable operating lease. Total cost for the lease was \$855 for the fiscal year ended June 30, 2018. The future minimum payments for these leases are as follows:

<u>Fiscal Year</u>	<u>Payments</u>
2018-2019	855
	<u>\$ 855</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 percent of each eligible employee's gross wage (excluding overtime and termination pay). The total contribution for the fiscal year ended June 30, 2018 was \$18,591.

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. 75 was effective for the District for the fiscal year ending June 30, 2018. The statement establishes accounting and financial reporting requirements related to other postemployment benefits (OPEB), replacing GASB Statements No. 45 and No. 57. This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB 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 does not currently offer any OPEB.

E. Related Party Transactions

As previously mentioned in note 1.A., the Coos County Area Transit District is a blended component unit of Coos County, Oregon. The District contracted for vehicle service and repairs through the Coos County Road Department. Total costs billed for the fiscal year were \$46,401 including \$2,188 in accounts payable at June 30, 2018.

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, 2018**

	Final Budget	Actual on Budgetary Basis	Variance
Revenues:			
Advertising	\$ 1,200	\$ -	\$ (1,200)
Fares	50,000	68,054	18,054
Grant revenue	851,652	866,342	14,690
Local funds	13,400	17,500	4,100
Service contracts	42,584	13,352	(29,232)
Other	-	2,994	2,994
Total revenues	958,836	968,242	9,406
Expenditures:			
Personnel services	625,554	440,735	184,819
Materials and services:			
Communications	1,500	-	1,500
Employee testing	5,313	1,186	4,127
Facilities overhead	56,334	10,609	45,725
Fuel/oil	98,225	82,440	15,785
Indirect administration	69,980	71,591	(1,611)
Tires	13,500	7,171	6,329
Travel/training	4,790	2,258	2,532
Vehicle insurance/licenses	40,562	31,543	9,019
Vehicle maintenance	51,234	46,401	4,833
Other expenses	20,560	55,838	(35,278)
Total materials and services	361,998	309,037	52,961

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, 2018**

	Final Budget	Actual	Variance
Other expenditures:			
Capital outlay	280,000	174,419	105,581
Contingency	25,500	-	25,500
Total other expenditures	<u>305,500</u>	<u>174,419</u>	<u>131,081</u>
Total expenditures	<u>1,293,052</u>	<u>924,191</u>	<u>368,861</u>
Net change in fund balance	(334,216)	44,051	378,267
Fund balance at beginning of year	<u>334,216</u>	<u>193,660</u>	<u>(140,556)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 237,711</u>	<u>\$ 237,711</u>
Reconciliation to GAAP basis net position:			
Accrued compensation		(22,087)	
Capital assets, net of depreciation		<u>464,199</u>	
GAAP basis net position		<u>\$ 679,823</u>	

See accompanying notes.

ACCOMPANYING INFORMATION



**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY ORGON STATE REGULATIONS**

December 21, 2018

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

We have audited the basic financial statements of Coos County Area Transit Service District as of and for the year ended June 30, 2018 and have issued our report thereon dated December 21, 2018. 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 and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Coos County Area Transit Service District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-0000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to the following:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded wholly or partially by outside sources
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

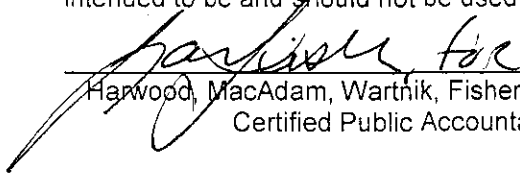
In connection with our testing nothing came to our attention that caused us to believe that the District was not in substantial compliance with certain provisions of laws, regulations, contract and grants, including the provisions of Oregon Revised Statues as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State.

OAR 162-010-0230 Internal Control

Please see our 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*.

Purpose of this Report

This report is intended solely for the information and use of the Coos County Board of Commissioners and management of the Coos County Area Transit Service District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Harwood, MacAdam, Warthik, Fisher & Gorman, LLC
Certified Public Accountants



INDEPENDENT AUDITOR'S 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*

December 21, 2018

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

We have audited, 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, the basic financial statements of the Coos County Area Transit Service District as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coos County Area Transit Service District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

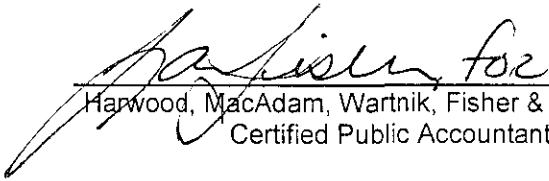
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 grant agreements, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Coos County Area Transit Service District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Harwood, MacAdam, Wartnik, Fisher & Gorman, LLC
Certified Public Accountants