



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

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT  
(A COMPONENT UNIT OF COOS COUNTY, OREGON)  
For the Fiscal Year Ended June 30, 2013**

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**DISTRICT OFFICIALS**

**COOS COUNTY AREA TRANSIT SERVICE DISTRICT  
(A COMPONENT UNIT OF COOS COUNTY, OREGON)  
DISTRICT OFFICIALS  
June 30, 2013**

**DISTRICT OFFICIALS:**

John Sweet, Chairperson – December 31, 2014  
250 N. Baxter  
Coquille, OR 97423

Bob Main, Commissioner – December 31, 2016  
250 N. Baxter  
Coquille, OR 97423

Melissa Cribbins, Commissioner – December 31, 2014  
250 N. Baxter  
Coquille, OR 97423

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**REGISTERED AGENT:**

Russell Pedersen  
2810 Ocean Boulevard  
Coos Bay, OR 97420

# FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

October 14, 2013

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, 2013, 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, 2013, 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*

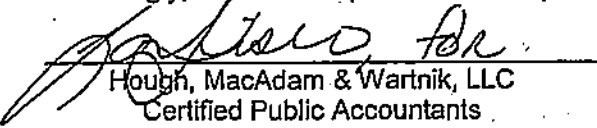
Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Coos County Area Transit Service District. The supplementary information as shown in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial 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 October 14, 2013, 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 October 14, 2013, on our consideration of the Coos County Area Transit Service District's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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.

  
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, 2013**

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, 2013. We encourage readers to consider the information here in conjunction with the accompanying basic financial statements.

### Overview

Fiscal Year 2012-2013 represented the second year of a biennium that had forced 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 (Oregon Department of Transportation), 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 2<sup>nd</sup> or 3<sup>rd</sup> quarter. That finally caught up with C-CAT for the 2011-2013 biennium. 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 47,128 rides for FY 2011-12 & 46,513 rides for FY 2012-13 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, 2012 through June 30, 2013 services were provided on a Monday-through-Friday basis including two fixed routes and three vehicles providing demand-response service operating around the Coos Bay-North Bend area. Operating hours for each unit and the dispatch office have continued to be 8 hours per day. 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 to 6 hours per day and then increased back to 8 hours per day, due to demand. 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 has continued to perform well and produce 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 22,038 passengers; representing a 4.90% 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. 24,475 passengers used this service in Coos County in FY 2012-2013.

In Fiscal Year 2012-2013 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 2013-2014 income and service should look pretty much like 2012-2013 minus the amount of the Transfer Station Grant that didn't make it through its initial grant funding process, but is currently seeking funding under the STIP-Enhance It grant program, and thus far has made it through all the rounds of cuts. Should the Transfer Station make it through the STIP process, it would not receive funding until FY 2016. By going back to pre-ARRA (American Recovery and Reinvestment Act) or stimulus levels, C-CAT was able to make ends meet in 2012-2013. Service and staffing levels will be nearly identical going forward. 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.

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, 2013-2014 we received an allocation of approximately \$226,070, 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, 2015. The vehicle maintenance agreement had 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, 2013 by \$561,072 – a decrease of \$87,602.
- The District's revenues for the 2012-2013 fiscal year increased by \$58,454 from the prior year, while the expenses decreased by \$24,366. The revenue increase was due to receipt of additional funds in the 5311 Grant of \$20,552 and new 5310 Purchased Service Grant of \$69,310 and reduced by the \$21,000 in the Preventive Maintenance Grant. Fares fell by \$14,569 from the prior year and the balance of the overall change was due to miscellaneous changes in other fund sources. The decrease in expenses was due to a reduction in administration costs and payroll expenses attributable to the new Transit Manager. Also, the final loan repayment to South Coast Business Employment Corporation was made in the prior year, so that was a reduction in costs of \$10,000.
- Overall, the financial position of the District has moderated slightly from the previous year as the District settles back into 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) enterprise fund financial statements, 2) fund financial statements, and 3) notes to the financial statements.
- Enterprise fund 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 Position* presents information on all the District assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

- The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position 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 enterprise fund 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 position may be found in the Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$561,072 at June 30, 2013 and \$648,674 at the close of the fiscal year, June 30, 2012. The District's investment in capital assets (buildings and improvements, machinery and equipment, vehicles and other mobile equipment) is approximately 75% of total net position at June 30, 2013 and was 75% of total net position at June 30, 2012. 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 slightly 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, 2013, grant resources declined due to the continued uncertainty of the economy and an overall reduction in available state and federal grants. The 2013-2014 grant revenue is expected to remain relatively steady from the year just ended. 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.

### Statement of Net Position

	<u>2012</u>	<u>2011</u>	<u>Difference</u>
<b>ASSETS</b>			
Current assets:			
Cash and Cash equivalents	\$ 87,220	\$ 107,116	\$ (19,896)
Receivables:			
Accounts	1,487	918	569
Grants	97,239	118,449	(21,210)
Prepaid expenses	14,086	11,998	2,088
Total current assets	<u>200,032</u>	<u>238,481</u>	<u>(38,449)</u>
Non-current assets:			
Land	117,743	117,743	-
Capital assets (net of accumulated depreciation)	<u>306,321</u>	<u>367,350</u>	<u>(61,029)</u>
Total non-current assets	<u>424,064</u>	<u>485,093</u>	<u>(61,029)</u>
Total assets and other debits	<u>624,096</u>	<u>723,574</u>	<u>(99,478)</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	17,621	25,106	(7,485)
Accrued payroll liabilities	15,660	16,652	(992)
Compensated absences payable	<u>29,743</u>	<u>33,142</u>	<u>(3,399)</u>
Total liabilities	<u>63,024</u>	<u>74,900</u>	<u>(11,876)</u>
<b>NET POSITION</b>			
Net invested in capital assets	424,064	485,093	(61,029)
Unrestricted net position	<u>137,008</u>	<u>163,581</u>	<u>(26,573)</u>
Total Net Position	<u>\$ 561,072</u>	<u>\$ 648,674</u>	<u>\$ (87,602)</u>

## Statement of Revenues, Expenses and Changes in Net Position

	2012	2011	Difference
Operating revenues:			
Intergovernmental	\$ 575,647	\$ 494,366	\$ 81,281
Charges for services	82,049	96,618	(14,569)
Donations	18,400	20,125	(1,725)
<b>Total operating revenues</b>	<b>676,096</b>	<b>611,109</b>	<b>64,987</b>
Operating expenses:			
Personal services	316,927	329,895	(12,968)
Materials and services	330,172	338,079	(7,907)
Depreciation	116,599	120,090	(3,491)
<b>Total operating expense</b>	<b>763,698</b>	<b>788,064</b>	<b>(24,366)</b>
<b>Operating income (loss)</b>	<b>(87,602)</b>	<b>(176,955)</b>	<b>89,353</b>
Non-operating revenue (expense)			
Capital grants	-	6,533	(6,533)
<b>Total non-operating revenue (expense)</b>	<b>-</b>	<b>6,533</b>	<b>(6,533)</b>
<b>Change in net position</b>	<b>(87,602)</b>	<b>(170,422)</b>	<b>82,820</b>
<b>Net position - beginning of year</b>	<b>648,674</b>	<b>819,096</b>	<b>(170,422)</b>
<b>Net position - end of year</b>	<b>\$ 561,072</b>	<b>\$ 648,674</b>	<b>\$ (87,602)</b>

### 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, 2015 as part of the first 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 roughly the same amount in the Sec. 5311 funds in comparison to the previous year for the first half of the biennium.

- C-CAT 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 2013-14 should remain relatively stable. Ridership numbers also tend to fluctuate in conjunction with the price of gas.
- The uncertainty in fuel markets will continue through 2013-2014, 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 POSITION  
June 30, 2013**

**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 87,220
Receivables:	
Accounts	1,487
Grants	97,239
Prepaid expenses	<u>14,086</u>
Total current assets	<u>200,032</u>

**Noncurrent Assets:**

Land	117,743
Capital assets (net of accumulated depreciation)	<u>306,321</u>
Total noncurrent assets	<u>424,064</u>
Total assets and other debits	<u>624,096</u>

**LIABILITIES**

**Current Liabilities:**

Accounts payable	17,621
Accrued payroll liabilities	15,660
Compensated absences payable	<u>29,743</u>
Total liabilities	<u>63,024</u>

**NET POSITION**

Net investment in capital assets	424,064
Unrestricted net position	<u>137,008</u>
Total Net Position	<u>\$ 561,072</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 POSITION  
For the Year Ended June 30, 2013**

Operating revenues:	
Intergovernmental	\$ 525,769
Charges for services	82,049
Donations	<u>68,278</u>
<b>Total operating revenue</b>	<u><b>676,096</b></u>
Operating expenses:	
Personnel services	316,927
Materials and services	330,172
Depreciation	<u>116,599</u>
<b>Total operating expenses</b>	<u><b>763,698</b></u>
<b>Operating income (loss)</b>	<u><b>(87,602)</b></u>
<b>Change in net position</b>	<b>(87,602)</b>
<b>Net position - beginning of year</b>	<u><b>648,674</b></u>
<b>Net position - end of year</b>	<u><u><b>\$ 561,072</b></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, 2013**

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 99,880
Cash received from grantors	546,979
Cash payments to suppliers for goods and services	(339,745)
Cash payments to employees for services	<u>(321,318)</u>
 Net cash provided (used) by operating activities	 <u>(14,204)</u>
 <b>Cash flows from capital and related financing activities:</b>	
Capital expenditures	<u>(5,692)</u>
 Net cash provided (used) by capital and related financing activities	 <u>(5,692)</u>
 Net increase (decrease) in cash and cash equivalents	 (19,896)
 Cash and cash equivalents - beginning of year	 <u>107,116</u>
 Cash and cash equivalents - end of year	 <u>\$ 87,220</u>
 <b>Reconciliation of operating income (loss) to net cash</b>	
Operating income (loss)	<u>\$ (87,602)</u>
Adjustments to reconcile operating gain (loss) to net cash provided in operating activities:	
Depreciation	116,599
(Increase) decrease in receivables	20,641
(Increase) decrease in prepaids	(2,088)
(Increase) decrease in donated assets	(49,878)
Increase (decrease) in accounts payable and accrued expenses	<u>(11,876)</u>
 Total adjustments	 <u>73,398</u>
 Net cash provided (used) by operating activities	 <u>\$ (14,204)</u>
 <b>Noncash capital and related financing activities:</b>	
Contributions of capital assets from other governments	<u>\$ 49,878</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, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Coos County Area Transit Service District (a blended 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 Position*

For the year ended June 30, 2013, the District implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in accordance with Concepts Statement No. 4, *Elements of Financial Statements*. For the fiscal year ending June 30, 2013, the effect of this statement on the District's financial statements was limited to changes in terminology.

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 asset, 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, 2013.

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.

During the year ended June 30, 2013, the District also implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets and liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of GASB 65 had no impact on the financial statements.

#### 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 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, 2013, the District had \$50 in petty cash, the carrying amounts of the District's deposits in a financial institution were \$87,170 and the bank balance was \$88,701. 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. Deposits in the Public Funds Collateralization Pool are not 100% guaranteed.

**B. Receivables**

Receivables as of the fiscal year end are as follows:

	<u>2013</u>
Accounts receivable	\$ 1,487
Grants receivable	<u>97,239</u>
Net total receivables	<u>\$ 98,726</u>

**C. Capital Assets**

Capital asset activity of the District for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance 7/1/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2013</u>
Nondepreciable capital assets:				
Land	\$ 117,743	\$ -	\$ -	\$ 117,743
Depreciable capital assets:				
Vehicles and mobile equipment	594,114	55,570	-	649,684
Buildings	189,136	-	-	189,136
Machinery and equipment	31,407	-	-	31,407
Total depreciable capital assets	<u>814,657</u>	<u>55,570</u>	<u>-</u>	<u>870,227</u>
Less accumulated depreciation:				
Vehicles and mobile equipment	(364,231)	(99,624)	-	(463,855)
Buildings	(71,247)	(12,202)	-	(83,449)
Machinery and equipment	(11,829)	(4,773)	-	(16,602)
Total accumulated depreciation	<u>(447,307)</u>	<u>(116,599)</u>	<u>-</u>	<u>(563,906)</u>
Total depreciable capital assets (net)	<u>367,350</u>	<u>(61,029)</u>	<u>-</u>	<u>306,321</u>
Total capital assets (net)	<u>\$ 485,093</u>	<u>\$ (61,029)</u>	<u>\$ -</u>	<u>\$ 424,064</u>

**D. Compensated Absences Payable**

At June 30, 2013, compensated absences payable were as follows:

	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2013</u>	<u>Due Within One Year</u>
Compensated absences	\$ 33,142	\$ 28,286	\$ 31,685	\$ 29,743	\$ 29,743

**E. 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, 2013. The future minimum payments for these leases are as follows:

<u>Fiscal Year</u>	<u>Payments</u>
2013-2014	\$ 1,649
2014-2015	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, 2013 was \$23,057.

**B. Risk Management**

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

**C. Commitments and Contingent Liabilities**

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

**D. Other Post Employment Benefit**

Governmental Accounting Standards Board Statement No. 45 (GASB 45) was effective for the District for the fiscal year ending June 30, 2010. This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of Other Post Employment Benefit costs (expenses) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The District has determined they have no liability under GASB 45.

**E. 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. During the fiscal year, Coos County received a grant in the amount of \$49,878 to purchase a new bus. They then donated the bus to the District. The District supplied the required match of \$5,692 for a total purchase price of \$55,570.

**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, 2013**

	Final Budget	Actual on Budgetary Basis	Variance
<b>Revenues:</b>			
Advertising	\$ 6,000	\$ 5,000	\$ (1,000)
Fares	45,000	52,918	7,918
Grant revenue	856,158	525,769	(330,389)
Local funds	21,000	18,400	(2,600)
Service contracts	17,500	22,211	4,711
Other	1,920	1,920	-
<b>Total revenues</b>	<b>947,578</b>	<b>626,218</b>	<b>(321,360)</b>
<b>Expenditures:</b>			
<b>Personnel services:</b>			
Drivers/dispatch wage and fringe	327,954	320,326	7,628
Adminstration salary and fringe	104,935	85,966	18,969
<b>Total personnel services</b>	<b>432,889</b>	<b>406,292</b>	<b>26,597</b>
<b>Materials and services:</b>			
Communications	1,500	-	1,500
Employee testing	1,500	798	702
Facilities overhead	44,466	36,268	8,198
Fuel/oil	115,000	103,477	11,523
Indirect adminstration	59,980	54,560	5,420
Sub-contracts/purchased trasportation	250	49	201
Tires	9,000	11,374	(2,374)
Travel	3,000	2,793	207
Vehicle insurance/licenses	22,200	17,900	4,300
Vehicle maintenance	26,500	16,987	9,513
Other expenses	20,449	-	20,449
<b>Total materials and services</b>	<b>303,845</b>	<b>244,206</b>	<b>59,639</b>

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, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Other expenditures:			
Capital outlay	\$ 265,844	\$ 5,692	\$ 260,152
Contingency	10,000	-	10,000
Total other expenditures	<u>275,844</u>	<u>5,692</u>	<u>270,152</u>
Total expenditures	<u>1,012,578</u>	<u>656,190</u>	<u>356,388</u>
Net change in fund balance	(65,000)	(29,972)	35,028
Fund balance at beginning of year	<u>65,000</u>	<u>196,723</u>	<u>131,723</u>
Fund balance at end of year	<u>\$ -</u>	<u>166,751</u>	<u>\$ 166,751</u>
Reconciliation to GAAP basis net position:			
Accrued compensation		(29,743)	
Capital assets, net of depreciation		<u>424,064</u>	
GAAP basis net position		<u>\$ 561,072</u>	

See accompanying notes.

**ACCOMPANYING INFORMATION**



**INDEPENDENT AUDITORS REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

October 14, 2013

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, 2013 and have issued our report thereon dated October 14, 2013. 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, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320, 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:

- The use of approved depositories to secure the deposit of public funds (ORS Chapter 295).
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of annual budgets (ORS Chapter 294).
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds (ORS Chapter 294).
- The requirements pertaining to the awarding of public contracts and the construction of public improvements (ORS Chapters 279A, 279B, 279C).

The results of our tests disclosed no instances of noncompliance that are required to be reported under the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State.

#### Internal Control Over Financial Reporting

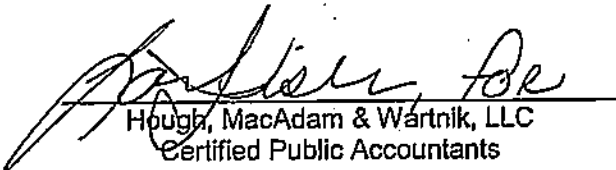
In planning and performing our audit, we considered the Coos County Area Transit Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an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

#### Purpose of this Report

This report is intended solely for the information and use of the 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.



Hough, MacAdam & Wartnik, 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**

October 14, 2013

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, 2013 and have issued our report thereon dated October 14, 2013.

**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.

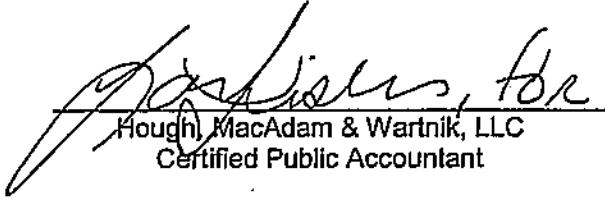
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Cook 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.

  
Hough, MacAdam & Wartrik, LLC  
Certified Public Accountant