

**LINCOLN COUNTY TRANSPORTATION
SERVICE DISTRICT (A COMPONENT UNIT OF
LINCOLN COUNTY)
NEWPORT, OREGON**

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

WITH
INDEPENDENT AUDITOR'S REPORT



**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
(A COMPONENT UNIT OF LINCOLN COUNTY, OREGON)**

Principal Officials

June 30, 2023

BOARD OF COMMISSIONERS

Title	Name
Commissioner, Chair	Kaety Jacobson
Commissioner	Claire Hall
Commissioner	Casey Miller

All individuals receive mail at the address listed below:

225 West Olive Street
Newport, OR 97365

Administrative Staff

Kristin Yuille, County Counsel
Tim Johnson, County Administrator



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| INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

Board of Commissioners
Lincoln County Transportation Service District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of the Lincoln County Transportation Service District ("District"), a component unit of Lincoln County, Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in *Note 1* to the financial statements, the 2023 financial statements have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and general fund budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The general fund budgetary comparison information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with Oregon State Regulations, we have also issued our report dated October 4, 2024 on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of *the Minimum Standards for Audits of Oregon Municipal Corporations*. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.

A handwritten signature in black ink that reads "Donald F. Ewalt". The signature is written in a cursive, flowing style.

Donald F. Ewalt, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
October 4, 2024



| MANAGEMENT'S DISCUSSION AND ANALYSIS

LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
Management's Discussion and Analysis
JUNE 30, 2023

The management of the Lincoln County Transportation Service District ("District"), offers readers of its financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the additional information in the financial statements that follow.

FINANCIAL HIGHLIGHTS

- The District's total net position increased by \$1,056,667 or 17.78% over the course of the year's operations, primarily due to a reduction in expenses and transfers out.
- Capital assets increased by \$232,580 or 24.21%, net of depreciation, compared to the previous year, due to current year asset additions.
- Liabilities increased by \$23,600 or 16.80% from the previous year due primarily to the increase in payroll related accruals.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), basic financial statements and disclosures, and independent auditor's report required by the Oregon State Regulations. The discussion and analysis sections are intended to serve as an introduction to the District's basic financial statements. These statements consist of government-wide financial statements, fund financial statements and reconciliations, and notes to basic financial statements.

The Statement of Net Position contains information about the District's assets, liabilities, and net position. Over time, changes in assets and liabilities can be a useful indicator to assess the District's ability to cover its costs and to continue to finance services and new programs in the future versus how much is invested in capital assets or restricted for specific purposes. The Statement of Activities contains information about the expenses incurred to provide transportation services and the revenues obtained to finance these services. This statement shows the extent to which services are covered by user fees and how much of the service is financed by property taxes, government grants, and accumulated reserves. The remaining statements are the general fund financial statements that include only current or short-term information such as readily available assets and currently due liabilities as well as the revenues and expenses received or expended during the current year or shortly thereafter.

LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
Management's Discussion and Analysis
JUNE 30, 2023

FINANCIAL SUMMARY AND ANALYSIS

Net Position. The District's net position was \$7,164,223, which is an increase of \$1,056,667 between fiscal years 2023 and 2022 (after restatement of prior year beginning net position). Current assets increased by \$847,687 due mainly to an increase in cash of approximately \$1.14 million and a decrease of receivables by \$300,000.

	Government Activities	
	2023	2022
<u>Assets:</u>		
Current assets	\$ 5,970,823	\$ 5,123,136
Capital assets, net	1,193,400	960,820
Total assets	<u>7,164,223</u>	<u>6,083,956</u>
<u>Liabilities:</u>		
Current liabilities	77,423	60,969
Other liabilities	86,652	79,506
Total liabilities	<u>164,075</u>	<u>140,475</u>
<u>Net position:</u>		
Net investment in capital assets	1,193,400	960,820
Unrestricted	5,806,748	4,982,661
Total net position	<u>7,000,148</u>	<u>5,943,481</u>
Total liabilities and net position	<u>\$ 7,164,223</u>	<u>\$ 6,083,956</u>

Changes in Net Position. The District's total revenues increased by \$11,700 or 1.08% and expenses decreased by \$42,790 or 1.63% for the year ending 2023 in comparison to 2022.

	Government Activities	
	2023	2022
<u>Revenues</u>		
Property taxes	\$ 855,315	\$ 819,004
Intergovernmental revenues	2,047,981	2,210,664
Charges for services	544,825	511,597
Investment earnings	138,636	28,046
Miscellaneous revenues	7,326	3,223
Gain on sale of assets	11,801	21,650
Total revenues	<u>3,605,884</u>	<u>3,594,184</u>
<u>Expenses</u>		
Community services	<u>2,580,246</u>	<u>2,623,037</u>
<u>Change in net position</u>		
Net position beginning of year	1,025,638	971,147
Restatement	5,943,481	4,972,334
Net position beginning of year - as restated	31,029	-
Net position end of year	<u>5,974,510</u>	<u>4,972,334</u>
	<u>\$ 7,000,148</u>	<u>\$ 5,943,481</u>

Financial Analysis of Funds. The District has only the General Fund. The analysis of the fund activity is essentially the same as that discussed previously under Changes in Net Position.

Budgetary Highlights. The adopted budget for 2023 for the District did not require adjustment during the fiscal year.

LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
Management's Discussion and Analysis
JUNE 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's net investment in capital assets increased by \$232,580 during fiscal year 2023, due primarily to purchases of vehicles and offset by current year depreciation. Additional information regarding capital assets can be found in *Note 4* to the financial statements.

Long-term Debt. The Lincoln County Transportation Service District currently carries no long-term obligation.

ECONOMIC FACTORS AND BUDGET INFORMATION

The budget outlook for 2024 estimates a continuation of the activity levels of 2023, with moderate increases in fuel costs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Lincoln County Transportation Service District's financial condition. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Lincoln County, 210 SW 2nd St., Newport, OR 97365.



| **BASIC FINANCIAL STATEMENTS**



**| GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 5,230,487
Receivables	740,336
Capital assets, net	<u>1,193,400</u>
TOTAL ASSETS	<u>7,164,223</u>
LIABILITIES:	
Accounts payable	13,922
Accrued payroll and related liabilities	63,501
Accrued compensated absences	<u>86,652</u>
TOTAL LIABILITIES	<u>164,075</u>
NET POSITION:	
Net investment in capital assets	1,193,400
Unrestricted	<u>5,806,748</u>
TOTAL NET POSITION	<u><u>\$ 7,000,148</u></u>

**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs Governmental activities:	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating and Grants and Contributions	Capital Grants and Contributions	
Community services	\$ 2,580,246	\$ 544,825	\$ 1,501,025	\$ 546,956	\$ 12,560
Total governmental activities	\$ 2,580,246	\$ 544,825	\$ 1,501,025	\$ 546,956	12,560
General revenues:					
Property taxes levied for general purposes					855,315
Proceeds from sale of capital assets					11,801
Unrestricted investment earnings (loss)					138,636
Miscellaneous					7,326
Total general revenues					1,013,078
CHANGE IN NET POSITION					1,025,638
NET POSITION - JULY 1, 2022, AS RESTATED					5,974,510
NET POSITION - JUNE 30, 2023					\$ 7,000,148



| FUND FINANCIAL STATEMENTS

**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2023**

	<u>General Fund</u>
ASSETS:	
Cash and investments	\$ 5,230,487
Receivables	740,336
TOTAL ASSETS	\$ 5,970,823
LIABILITIES:	
Accounts payable	\$ 13,922
Accrued payroll and related liabilities	63,501
TOTAL LIABILITIES	77,423
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	29,458
FUND BALANCE:	
Unassigned	5,863,942
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 5,970,823
FUND BALANCE	\$ 5,863,942
Capital assets are not financial resources and therefore are not reported in the governmental funds:	
Cost	3,157,217
Accumulated depreciation	(1,963,817)
	1,193,400
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental fund.	29,458
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due. These liabilities consist of:	
Accrued compensated absences	(86,652)
TOTAL NET POSITION	\$ 7,000,148

**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2023**

	General Fund
REVENUES:	
Property taxes	\$ 856,752
Intergovernmental	2,047,981
Charges for services	544,825
Miscellaneous	7,326
Investment income (loss)	138,636
TOTAL REVENUES	3,595,520
EXPENDITURES:	
Current:	
Personnel services	1,397,157
Materials and services	851,246
Capital outlay	557,277
TOTAL EXPENDITURES	2,805,680
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	789,840
OTHER FINANCING SOURCES (USES):	
Proceeds from sale of capital assets	11,801
TOTAL OTHER FINANCING SOURCES (USES)	11,801
NET CHANGE IN FUND BALANCE	801,641
FUND BALANCE - JULY 1, 2022, AS RESTATED	5,062,301
FUND BALANCE - JUNE 30, 2023	\$ 5,863,942
NET CHANGE IN FUND BALANCE	\$ 801,641

Amounts reported for governmental activities in the Statement of Activities are different because:

Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Expenditures for capital assets	557,277	
Less: current year depreciation	(324,697)	232,580

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental fund. In the Statement of Activities property taxes are recognized as revenue when levied.

(1,437)

Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expenditure when earned.

(7,146)

CHANGE IN NET POSITION **\$ 1,025,638**



| **NOTES TO THE FINANCIAL STATEMENTS**

**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Lincoln County Transportation Service District ("District") was founded in November 1996 as an Oregon Revised Statutes (ORS) Chapter 451 County Service District. The District provides a comprehensive transportation program. Services include a scheduled-stop bus-system (the "Central Coast Connection") along the Highway 101 corridor, outlying cities and communities, and ancillary feeder lines available to all residents of Lincoln County ("County"). A "dial-a-ride" service is also provided for the transit of disadvantaged, senior and disabled members of the County, enabling them to obtain medical and other services.

The District has no potential component units. Since the County is financially accountable for, and significantly influences the operations of the District, and the County Board of Commissioners also serves as the District's Board, the District is included as a blended component unit in the Annual Financial Report of Lincoln County for the year ended June 30, 2023, copies of which can be obtained from the County's finance department located at 210 SW Second Street, Newport, OR 97365.

Basis of Presentation and Accounting

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information of the District. Governmental activities are supported by taxes, charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes and grants. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants that use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds.

**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes received, intergovernmental revenue, and interest revenue earned within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

The *general fund* is used to account for all financial resources.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

Generally, Oregon Local Budget Law requires annual budgets to be adopted for all funds except agency funds. The modified accrual basis of accounting is used for the District's budget. All annual appropriations lapse at the fiscal year end.

The District begins its budgeting process by appointing a Budget Committee in January. Budget recommendations are developed by management through the month of April with the Budget Committee meeting and approving the budget document in May. Public notices for the budget hearing are published and the hearing is held in June. The Board of County Commissioners adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-spent, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations sets the level at which expenditures cannot legally exceed appropriations. The District established the levels of budgetary control at the personnel services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels.

Receivables

Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and material provided by the District. All receivables are expected to be collected. Accordingly, receivables are reported at the gross amount without an allowance for uncollectible accounts.

Receivables are also recognized for property taxes and intergovernmental grants. Property taxes receivable consist of uncollected taxes levied and payable at the end of the fiscal year. All taxes are considered collectible. Consequently, no allowance for uncollectible taxes has been established. In the governmental fund financial statements, property taxes not collected within sixty days of the end of the fiscal year are reported as a deferred inflow or resources.

Intergovernmental grant reimbursement and entitlement amounts for which all eligibility requirements imposed by the provider have been met, but which were not received by the fiscal year end, are reported as accounts receivable.

LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is unavailable. Contributed capital assets are valued at their estimated fair market value on the date contributed. The District defines capital assets as assets with an initial, individual cost of more than \$10,000, and an estimated useful life in excess of one year. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide statements. The estimated useful lives are as follows:

Vehicles and equipment	3 to 15 years
------------------------	---------------

Compensated Absences

Compensated absences and related taxes are not recorded as expenditures in the governmental funds until paid. Sick leave does not vest, except in the following two cases: employees who reach the age of 55 or older; and employees who are represented by the Lincoln County Employee's Association - Transit, and have been a member of the union for at least five years. In both of these circumstances, the sick leave is 50 percent vested upon their retirement. Sick leave accumulates at the rate of 8 hours per month for the employees who qualify for vested sick leave.

All benefit-eligible employees (after six months of continuous service) earn vacation leave. The amount earned per pay period is determined based upon length of service and representation. Accumulation limits of vacation leave differ by length of service.

All non-exempt benefit-eligible employees are eligible for compensatory time with a maximum accumulation of 80 hours for most employees with the exception of employees who work 24-hour shifts, in which case the maximum accumulation is 120 hours.

Net Position and Fund Balance

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Commissioners. A formal resolution of the Board of Commissioners is required to establish, modify or rescind a fund balance commitment. The District reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classification can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net position in the government-wide financial statements is displayed in three components (a) net investment in capital assets, (b) restricted net position, and (c) unrestricted net position. Net investment in capital assets consist of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvements of those assets and increased by balances of deferred outflows related to those assets. Restricted net position is reported as restricted when constraints placed on asset use are either externally restricted, imposed by creditors (such as through grantors, contributors, or laws) or through constitutional provisions or enabling resolutions. Unrestricted net position consists of all other net position that does not meet the definition of the above two components and is available for general use by the District (such as property taxes, fines, fees and charges for services).

Property Taxes

Real property taxes attach as an enforceable lien on property as of January 1. All taxes are levied as of the lien date and are payable in three installments on November 15, February 15, and May 15. Discounts are allowed if the amount is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are recorded on the Statement of Net Position. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectable taxes has been established.

Adoption of New GASB Pronouncement

During the year ended June 30, 2023, the District implemented the following GASB Pronouncements:

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. There was no effect on the District's financial statements upon adoption of this Statement.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement's objective is to address accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. There was no effect on the District's financial statements upon adoption of this Statement.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement's objective is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. There was no effect on the District's financial statements upon adoption of this Statement.

GASB Statement No. 99, *Omnibus 2022*. This Statement includes a variety of small technical revisions to previously issued GASB Statements. There was no effect on the District's financial statements upon adoption this Statement.

GASB Statement No. 101, *Compensated Absences*. Issued in June 2022, this Statement updates recognition and measurement guidelines for compensated absences. There was no material effect on the District's financial statements upon adoption of this Statement.

**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2023:

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement clarifies the presentation and disclosures requirements for prior period adjustments to beginning net position. This Statement will be effective for the District for fiscal year ending June 30, 2024.

The District will implement new GASB pronouncements no later than the required effective date. The District is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the District's financial statements

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Restatement of Beginning Net Position and Fund Balance

During the fiscal year ended June 30, 2023, the District identified \$31,029 in revenue not recognized in prior year. Beginning net position and fund balance increased from \$5,943,481 to \$5,974,510 and \$5,031,272 to \$5,062,301, respectively, to account for this correction.

NOTE 2 – CASH AND INVESTMENTS

The District's cash, and investments, consists of cash held by Lincoln County in pooled cash and investment accounts, and are considered to be cash on hand, demand deposits, and investments in the State of Oregon Treasury Department's Local Government Investment Pool (LGIP).

State statutes govern the County's cash management policies because the County does not have an official investment policy. State statutes authorize the County to invest in the Oregon State Treasurer's LGIP, time certificates of deposit, U.S. Government Treasury Obligations, and obligations of the United States and its agencies and instrumentalities.

The Oregon LGIP is an open-ended, no-load diversified portfolio offered to any municipality, political subdivision, or public corporation of the State that by law is made the custodian of, or has control of, any public funds. The Office of the State Treasurer (OST) manages the LGIP. The LGIP is commingled with other State funds in the Oregon Short-Term Fund (OSTF). The OSTF is not managed as a stable net asset value fund; therefore: the preservation of principal is not assured. The LGIP is not rated by a national rating service. Additional information about the OSTF can be obtained at www.ost.state.or.us and www.oregon.gov/treasury. The weighted-average maturity of LGIP is less than one year.

Custodial Credit Risk Deposits Custodial credit risk is the risk that in the event of a bank failure, The County's deposits may not be returned to it. Deposits with financial institutions include bank demand deposits. Cash, is covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool called the Public Funds Collateralization Program (PFCP) administered by the Office of the State Treasurer for the State of Oregon.

**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 - RECEIVABLES

Receivables for the year ended June 30, 2023 are as follows:

Property taxes receivable	\$	38,027	
Intergovernmental		702,309	
		740,336	
	\$	740,336	

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Transfers/ Deletions	Balance June 30, 2023
Capital assets being depreciated:				
Vehicles and equipment	\$ 2,746,129	\$ 557,277	\$ (146,189)	\$ 3,157,217
Less accumulated depreciation:				
Vehicles and equipment	(1,785,309)	(324,697)	146,189	(1,963,817)
Total capital assets, net	\$ 960,820	\$ 232,580	\$ -	\$ 1,193,400

NOTE 5 – NONCURRENT LIABILITIES

Noncurrent liabilities activity for the year ended June 30, 2023 was as follows:

	Accrued July 1, 2022	Net Change	Accrued June 30, 2023	Balance Due Within One Year
Compensated absences	\$ 79,506	\$ 7,146	\$ 86,652	\$ 86,652

NOTE 6 – DEFINED CONTRIBUTION PLAN

The District contributes to the Lincoln County Retirement Plan ("Plan"). The Plan is a defined contribution 401(k) plan established by the County to provide benefits to substantially all County and District employees. Reference should be made to the County's Financial Statements for the year ended June 30, 2023 for more information regarding the plan.

NOTE 7 – DEFERRED COMPENSATION PLAN

The District's employees can contribute to the Lincoln County Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457(g) ("457 Plan"). Reference should be made to the County's Financial Statements for the year ended June 30, 2023 for more information regarding the plan.

**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; torts; errors and omissions; injuries to employees; and natural disasters. The District is covered against such risks of loss through the commercial insurance purchased by the County. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Subsequent to June 30, 2021, a Lincoln County Transit Bus was involved in an accident where two pedestrians and the bus driver were hospitalized. At this time, no liability for the District has been determined. The District maintains insurance coverage that may apply to potential liabilities arising from this event.

NOTE 9– TAX ABATEMENTS

As of June 30, 2023, Lincoln County provides certain tax abatement programs that impact the County. Those programs are as follows:

Non-Profit Low Income Rental Housing (ORS 307.515)

The largest abatement program for Lincoln County is the Non-Profit Low Income Rental Housing. In 1985, Oregon legislature authorized a property tax exemption for low-income housing held by charitable, nonprofit organizations. The tax exemption is intended to benefit low-income renters by alleviating the property tax burden on those agencies that provide this type of housing. The qualifying property must be located within the County.

Charitable, nonprofit organizations that provide housing to low-income persons are eligible, and must be certified by the Internal Revenue Service as 501(c)(3) or (4) organization. Organizations must own or have a leasehold interest in the property or participate in a partnership as long as the non-profit organization is responsible for the day-to-day management of the property.

Applicants who are leaseholders must have a signed leasehold agreement by the application deadline. Vacant land intended to be developed as low-income housing is also eligible for the exemption. The property tax exemption applies only to the tax levy of a governing body that adopts the provisions of ORS 307.515.

Enterprise Zone (ORS 285.597)

The Oregon Enterprise Zone program is a State of Oregon economic development program, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor.

The Enterprise Zone program provides qualified firms that will be making a substantial new capital investment within the defined enterprise zone, a waiver of 100% of the amount of real property taxes attributable to the new investment for a period of five years following completion of the new investment. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

Multi-Unit Program Tax Exemption (ORS 307.600)

The Multi-Unit Program Tax Exemption (MUPTE) program is a state-enabled housing incentive program that allows cities across Oregon to exempt property taxes on residential improvements of approved multi-unit properties for up to ten years.

**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9- TAX ABATEMENTS (CONTINUED)

Strategic Investment Program (ORS 307.123)

The Strategic Investment Program (SIP) was adopted by the Oregon Legislature in 1993. It allows businesses and local governments to negotiate alternative property taxing agreements if these businesses are willing to invest at least \$100 million at an urban site or at least \$25 million at a rural location in Oregon.

For the fiscal year ended June 30, 2023, the District's abated property taxes totaled \$9,181 under these programs:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Non-profit low income rental housing	\$ 663
Enterprise zone	301
Multi-unit program tax exemption	838
Strategic investment program	<u>7,379</u>
Total	<u>\$ 9,181</u>



**| REQUIRED SUPPLEMENTARY
INFORMATION**

**LINCOLN COUNTY TRANSPORTATION SERVICE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ADOPTED	FINAL		
REVENUES:				
Property taxes	\$ 820,500	\$ 820,500	\$ 856,752	\$ 36,252
Intergovernmental	3,038,814	3,038,814	2,047,981	(990,833)
Charges for services	480,885	480,885	544,825	63,940
Investment income	25,000	25,000	138,636	113,636
Miscellaneous revenue	2,000	2,000	7,326	5,326
TOTAL REVENUES	<u>4,367,199</u>	<u>4,367,199</u>	<u>3,595,520</u>	<u>(771,679)</u>
EXPENDITURES:				
Current:				
Personnel services	2,690,882	2,690,882	1,397,157	1,293,725
Material and services	1,750,828	1,750,828	851,246	899,582
Capital outlay	1,125,000	1,125,000	557,277	567,723
Contingency	598,746	598,746	-	598,746
TOTAL EXPENDITURES	<u>6,165,456</u>	<u>6,165,456</u>	<u>2,805,680</u>	<u>3,359,776</u>
EXCESS OF REVENUE OVER/(UNDER) EXPENDITURES	<u>(1,798,257)</u>	<u>(1,798,257)</u>	<u>789,840</u>	<u>2,588,097</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(528,254)	(528,254)	-	528,254
Proceeds from sale of capital assets	-	-	11,801	11,801
TOTAL OTHER FINANCING SOURCES (USES)	<u>(528,254)</u>	<u>(528,254)</u>	<u>11,801</u>	<u>540,055</u>
NET CHANGE IN FUND BALANCE	<u>(2,326,511)</u>	<u>(2,326,511)</u>	<u>801,641</u>	<u>3,128,152</u>
FUND BALANCE - JULY 1, 2022, AS RESTATED	<u>2,826,511</u>	<u>2,826,511</u>	<u>5,062,301</u>	<u>2,235,790</u>
FUND BALANCE - JUNE 30, 2023	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 5,863,942</u>	<u>\$ 5,363,942</u>



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Commissioners
Lincoln County Transportation Service District

We have audited the basic financial statements of Lincoln County Transportation Service District ("the District") as of and for the year ended June 30, 2023, and have issued our report thereon dated September 30, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not the 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:

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds under ORS Chapter 294.
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-010-0230 Internal Control

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in a separately issued Communication with Governance letter, that we consider to be a material weakness.

Restrictions on Use

This report is intended solely for the information and use of the District's Board of Commissioners, management of the District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "Donald F. Ewalt". The signature is written in a cursive, flowing style.

Donald F. Ewalt, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
October 4, 2024