

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

**Cowlitz County Public Transportation
Benefit Area Authority
(Cowlitz Transit Authority)**

Audit Period
January 1, 2013 through December 31, 2013

Report No. 1012727

Issue Date
September 29, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

September 29, 2014

Board of Directors
Cowlitz Transit Authority
Longview, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Cowlitz Transit Authority's financial statements and compliance with federal laws and regulations

We are issuing this report in order to provide information on the Authority's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR

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Federal Summary

Cowlitz Transit Authority Cowlitz County January 1, 2013 through December 31, 2013

The results of our audit of the Cowlitz Transit Authority are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the basic financial statements.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Authority.

FEDERAL AWARDS

Internal Control Over Major Programs:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Authority's compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.507	Federal Transit Cluster - Federal Transit - Formula Grants
20.507	ARRA - Federal Transit Cluster - Federal Transit - Formula Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Authority qualified as a low-risk auditee under OMB Circular A-133.

Schedule of Federal Audit Findings and Questioned Costs

**Cowlitz Transit Authority
Cowlitz County
January 1, 2013 through December 31, 2013**

- 1. The Authority did not maintain appropriate time and effort documentation, resulting in questioned costs of \$17,259.**

CFDA Number and Title:	20.507 Federal Transit Formula Grant 20.507 ARRA Federal Transit Formula Grant
Federal Grantor Name:	U.S. Department of Transportation
Federal Award/Contract Number:	WA-58-0006, WA-90-0393, WA-90-0494, WA-90-4514, WA-96-0017-00
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$17,259

Description of Condition

During 2013, the Authority spent \$2,849,603 in grant funds provided by the U.S. Department of Transportation. Grant funding may be used for the financing the planning, acquisition, construction, preventative maintenance, improvement of facilities and equipment in public transportation services, and, in some circumstances, operating a transit system in urbanized areas with populations of less than 200,000.

We reviewed payroll transactions to determine whether salaries and benefits charged to the grant were supported by adequate time and effort documentation, as required by federal regulations. Depending on the number and type of activities, time and effort documentation can be a semi-annual certification by the employee or supervisor that the employee worked solely on that activity, or a monthly personnel activity report, such as a timesheet, for employees that work on more than one activity.

We found the Authority did not maintain adequate monthly time and effort documentation for one employee charged to the program. The employee worked on several programs or activities, but the Authority did not maintain time sheets or other documentation to support actual hours worked in each activity.

We reported a finding over this same issue in the prior audit.

Cause of Condition

The Authority did not dedicate the necessary resources to ensure prior audit recommendations had been resolved.

Effect of Condition and Questioned Costs

Without proper time and effort records, the Authority was unable to substantiate the accuracy and allowability of the payroll costs charged to the grant in the manner required by the federal granting agency. We are questioning salary and benefit costs totaling \$17,259.

Recommendation

We recommend the Authority:

- Provide training to personnel to ensure they have an adequate understanding of federal time and effort requirements.
- Ensure proper time and effort documentation is obtained for employees charged to the grant in accordance with federal requirements.
- Work with its federal oversight agency to determine the amount of grant funds to be repaid, if any, to address the questioned costs.

Authority's Response

The Authority disagrees with the determination that the Cowlitz Transit Authority is a sub-recipient of the City of Longview. This position is supported by Federal Transit Administration representatives and relayed to the City of Longview while under audit of these specific FTA grants. It should be noted that only a sub-recipient relationship would hold the Authority liable for the above mentioned time and effort documentation requirements.

The Authority appreciates the SAO and their efforts toward better management and reporting of its operations, and although we disagree as stated above, we have measures in place to satisfy the recommendations provided.

Auditor's Remarks

The State Auditor's Office has evaluated the arrangement between the city of Longview and the Authority on multiple occasions. To date, the Authority has not provided any documentation to support its position that it is not a subrecipient of the FTA Grant.

We appreciate the steps the Authority is taking ensure all future expenditures of grant awards are allowable and will review the condition during the next regularly scheduled audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225), Appendix B, Section 8(h), states in part:

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

- (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
- (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
- (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Schedule of Prior Federal Audit Findings

Cowlitz Transit Authority Cowlitz County January 1, 2013 through December 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the Cowlitz Transit Authority. The State Auditor's Office has reviewed the status as presented by the Authority.

Audit Period: FY 2012	Report Ref. No.: 1010547	Finding Ref. No.: 1	CFDA Number(s): 20.507
Federal Program Name and Granting Agency: Federal Transit Formula Grant, U.S. Department of Transportation		Pass-Through Agency Name: City of Longview	
Finding Caption: The Authority did not maintain appropriate time and effort documentation, resulting in questioned costs of \$14,729.			
Background: Federal program requirements require that time and effort be tracked by employees who perform multiple activities and are charged to a federal grant. The 2012 audit found that the District did not maintain adequate monthly time and effort documentation for one employee who worked on multiple activities. The questioned salary and benefit costs charged to the grant for the one employee were \$14,729.			
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;"><input type="checkbox"/> Fully Corrected</div> <div style="text-align: center;"><input checked="" type="checkbox"/> Partially Corrected</div> <div style="text-align: center;"><input type="checkbox"/> No Corrective Action Taken</div> <div style="text-align: center;"><input type="checkbox"/> Finding is considered no longer valid</div> </div>			
Corrective Action Taken: <i>The city of Longview, under contractual arrangement with the Authority, has developed corrective measures that will exclude salaries and benefits from reimbursable grant expenditures without proper time and effort documentation.</i> <i>The Authority and the city of Longview have improved their communication processes to ensure that these corrective measures are better implemented.</i>			

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*

**Cowlitz Transit Authority
Cowlitz County
January 1, 2013 through December 31, 2013**

Board of Directors
Cowlitz Transit Authority
Longview, Washington

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 financial statements of the Cowlitz Transit Authority, Cowlitz County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 1, 2014. As discussed in Note 1 to the financial statements, during the year ended December 31, 2013, the Authority implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

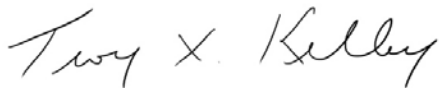
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of the Authority's 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

August 1, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Cowlitz Transit Authority
Cowlitz County
January 1, 2013 through December 31, 2013**

Board of Directors
Cowlitz Transit Authority
Longview, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Cowlitz Transit Authority, Cowlitz County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The Authority's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1. Our opinion on each major federal program is not modified with respect to these matters.

Authority's Response to Findings

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any

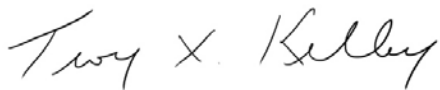
deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Authority's Response to Findings

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

August 1, 2014

Independent Auditor's Report on Financial Statements

Cowlitz Transit Authority Cowlitz County January 1, 2013 through December 31, 2013

Board of Directors
Cowlitz Transit Authority
Longview, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Cowlitz Transit Authority, Cowlitz County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 16.

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 from 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 Authority'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 Authority'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 Cowlitz Transit Authority, as of December 31, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2013, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

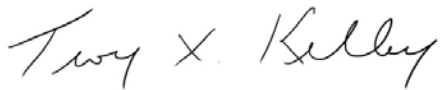
Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 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 Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

August 1, 2014

Financial Section

**Cowlitz Transit Authority
Cowlitz County
January 1, 2013 through December 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Revenues, Expenses and Changes in Net Position – 2013

Statement of Cash Flows – 2013

Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2013

COWLITZ TRANSIT AUTHORITY

Management Discussion and Analysis

This section of the Cowlitz Transit Authority (CTA) financial report presents management's overview and analysis of the CTA's financial performance for the fiscal year ended December 31, 2013. This section should be read in conjunction with the financial statements that follow this section.

Financial Highlights

- The net position of the CTA at December 31, 2013 was \$9.2 million. All of this amount may be used to meet the CTA's ongoing obligation to provide services to the public.
- The CTA's total net position increased roughly \$1.3 million. Capital grants and operating assistance grants saw an increase of nearly \$1.8 million over 2012.
- The CTA remained free of long-term debt during the period.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the CTA's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position presents information on all of the assets and liabilities, with the difference between the two reported as net position. It could be noted that the implementation of GASB Statement 65, Items Previously Reported as Assets and Liabilities, resulted in no deferred outflows of financial resources or deferred inflows of financial resources. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the CTA is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Financial Analysis

The Cowlitz Transit Authority operates a capital-intensive enterprise with over 50 percent of its net position invested in capital assets. An additional \$570,000 is intended for replacement of capital assets. Following is a summary of the CTA's net position.

Statement of Net Position

	2013	2012	2011
Assets:			
Current assets	\$4,347,141	\$5,570,018	\$5,722,210
Capital assets (net)	4,863,233	2,356,224	2,381,964
Total Assets	<u>9,210,374</u>	<u>7,926,242</u>	<u>8,104,174</u>
 Total Liabilities	 <u>0</u>	 <u>1,407</u>	 <u>758,308</u>
Net Position:			
Net investment in capital assets	4,863,233	2,356,224	2,381,964
Unrestricted	4,347,141	5,568,611	4,963,902
Total Net Position	<u>\$9,210,374</u>	<u>\$7,924,835</u>	<u>\$7,345,866</u>

The following summary Statement of Revenues, Expenses and Changes in Net Position shows detail to the activities for the last three reporting years.

Statement of Revenues, Expenses, and Changes in Net Position

	2013	2012	2011
Total Operating Revenues	<u>\$154,950</u>	<u>\$155,178</u>	<u>\$172,932</u>
Operating Expenses:			
Cost of sales and services	3,683,384	2,693,973	2,529,095
Administration	623,309	462,562	390,081
Depreciation	432,696	280,798	176,007
Total Operating Expenses	<u>4,739,389</u>	<u>3,437,333</u>	<u>3,095,183</u>
Operating loss	(4,584,439)	(3,282,155)	(2,922,251)
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	3,988,497	3,708,675	3,625,677
Interest income	7,224	8,078	8,266
Other (net)	25,523	17,153	4,092
Total Nonoperating Revenues (Expenses)	<u>4,021,244</u>	<u>3,733,906</u>	<u>3,638,035</u>
Income (loss) before capital contributions	(563,195)	451,751	715,784
Capital contributions	<u>1,848,733</u>	<u>127,218</u>	<u>681,589</u>
Total Change in Net Position	<u>1,285,538</u>	<u>578,969</u>	<u>1,397,373</u>
Total Net Position, Beginning	<u>7,924,836</u>	<u>7,345,867</u>	<u>5,948,494</u>
Total Net Position, Ending	<u>\$9,210,374</u>	<u>\$7,924,836</u>	<u>\$7,345,867</u>

Revenues

The following table lists 2013 revenue compared to 2012 and the amount and percentage of increase or decrease.

<u>REVENUES</u>	<u>2013 AMOUNT</u>	<u>PERCENT OF TOTAL</u>	<u>2012 AMOUNT</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENT INCREASE (DECREASE)</u>
Operating revenue	\$154,950	2.57%	\$155,178	(\$228)	-0.15%
Tax revenue	3,059,037	50.77%	2,856,419	202,618	7.09%
Operating grants	929,460	15.43%	852,256	77,204	9.06%
Interest income	7,224	0.12%	8,078	(854)	-10.57%
Miscellaneous	25,523	0.42%	17,153	8,370	48.80%
Capital contributions	1,848,733	30.68%	127,218	1,721,515	1353.20%
Total revenues	<u>\$6,024,927</u>	<u>100%</u>	<u>\$4,016,302</u>	<u>\$2,008,625</u>	<u>50.01%</u>

- Capital contributions through applicable grants rose significantly, and was the main reason for the increase in net position.
- Sales tax revenue, the biggest component of CTA revenue, saw an increase over 2012 as well as an increase over recent previous years.

Expenses

Expenses are most directly impacted by the number of hours of operation that the CTA provides. The amount of operating hours provided in 2013 compared to 2012, and the increase and decrease in hours and percentages are shown in the following table:

<u>OPERATING HOURS</u>	<u>2013 TOTAL</u>	<u>PERCENT OF TOTAL</u>	<u>2012 TOTAL</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENT INCREASE (DECREASE)</u>
Fixed Route	22,779	52.05%	17,651	5,128	29.05%
Demand Response	20,981	47.95%	20,881	100	0.48%
Totals	<u>43,760</u>	<u>100.00%</u>	<u>38,532</u>	<u>5,228</u>	<u>13.57%</u>

- The fixed route operating hours increased in April 2013 as they did in April 2012.
- Demand response service is provided pursuant to ADA. In accordance with the Act, the CTA must provide a complementary paratransit service within ¾ mile of all fixed routes during the same hours fixed route service is provided. Hours for demand response increased slightly during 2013.

Expenses by Mode

The following table shows expenses for 2013 compared to 2012 by mode of service and the increase or decrease in expenses.

<u>MODE</u>	<u>2013 AMOUNT</u>	<u>PERCENT OF TOTAL</u>	<u>2012 AMOUNT</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENT INCREASE (DECREASE)</u>
Fixed Route	2,956,957	62.39%	\$2,130,085	\$826,872	38.82%
Demand Response	1,782,432	37.61%	1,307,248	475,184	36.35%
Total Expenses	4,739,389	100.00%	\$3,437,333	\$1,302,056	37.88%

- As shown, the fixed route mode constitutes nearly two-thirds of the expenses. These costs have been increasing as the Authority has continued to add specific routes.
- Demand response expenses increased as a result of the increased costs, particularly in fuel costs through standard cost of living adjustments.

Expenses by Object

The object is the classification of expenses by article purchased or service obtained. Expenses for 2013 compared to 2012 by object follow:

<u>OBJECT</u>	<u>2013 AMOUNT</u>	<u>PERCENT OF TOTAL</u>	<u>2012 AMOUNT</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENT INCREASE (DECREASE)</u>
Professional services	\$1,683,198	35.52%	\$1,086,932	\$596,266	54.86%
Personnel	1,464,052	30.89%	1,067,307	396,745	37.17%
Rentals and leases	886,397	18.70%	754,363	132,034	17.50%
Depreciation	432,696	9.13%	280,798	151,898	54.10%
Insurance	72,453	1.53%	92,087	(19,634)	-21.32%
Supplies	69,549	1.47%	43,759	25,790	58.94%
Interfund transfers	40,236	0.85%	30,948	9,288	NA
Other miscellaneous	34,334	0.72%	36,426	(2,092)	-5.74%
Utilities	26,400	0.56%	27,130	(730)	-2.69%
Repairs & maintenance	4,335	0.09%	9,949	(5,614)	-56.43%
Advertising	25,739	0.54%	7,634	18,105	237.16%
Total Expenses	\$4,739,389	99.46%	\$3,437,333	\$1,283,951	37.35%

- CTA increased fixed-route services from five buses to nine.
- Ten additional fixed-route operators were hired in 2013.
- The increase in fleet size also increased maintenance and fuel costs.

Capital Assets

The CTA's capital assets as of December 31, 2013 amounted to \$8,271,000 with accumulated depreciation of \$3,408,000 for a net capital asset value of \$4,863,000. Capital assets consist of transit coaches and other vehicles, transit centers and other buildings, as well as equipment and furnishings. During 2013, CTA acquired paratransit vans and other vehicles for over \$2.3 million and improved a transfer station turn around costing roughly \$280,000.

Economic Factors and Future Outlook

Like most of the communities in the local area, Cowlitz County is anticipating a slow but steady growth in the economic environment. Although we have seen signs of recovery in 2013, it has continued as expected from 2010 with a drawn out recession resulting in a slower than desired recovery. A positive sign can be seen in the unemployment rate which dropped from 11% in 2012 to 10.1% in 2013. Governments at all levels have seen a drop in taxable sales although total sales tax revenue has risen due to an increased sales tax rate as mentioned earlier. There appears no question this prolonged recession has adversely impacted state and local budgets. The Cowlitz Transit Authority is expecting to continue the expanded service levels in 2014.

Request for Information

This financial report is designed to provide a general overview of the CTA for all those who have an interest in this agency's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Department of Finance, City of Longview, P.O. Box 128 Longview, WA 98632.

Cowlitz Transit Authority
STATEMENT OF NET POSITION

As of December 31, 2013

	TOTALS
ASSETS	
Current assets:	
Cash	\$175,288
Cash equivalents	2,456,000
Due from other governments	1,715,853
Total current assets	<u>4,347,141</u>
Noncurrent assets (Note 7):	
Capital assets not depreciated	664,799
Capital assets depreciated, net	4,198,434
Net capital assets	<u>4,863,233</u>
Total assets	<u>9,210,374</u>
LIABILITIES	
Accounts payable	0
Total liabilities	<u>0</u>
NET POSITION	
Net investment in capital assets	4,863,233
Unrestricted	4,347,141
Net position	<u><u>\$9,210,374</u></u>

The Accompanying Notes Are An Integral Part Of This Statement

Cowlitz Transit Authority

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

For the fiscal year ended December 31, 2013

	TOTALS
Operating revenues:	
Charges for services	\$154,228
Miscellaneous	722
Total operating revenues	<u>154,950</u>
Operating expenses:	
Contractual services	4,128,706
Other professional services	176,471
Depreciation	432,696
Miscellaneous	1,516
Total operating expenses	<u>4,739,389</u>
Operating loss	(4,584,439)
Nonoperating revenues (expenses):	
Interest revenue	7,224
Tax revenue	3,059,037
Intergovernmental revenue	929,460
Other	25,523
Total nonoperating revenues (expenses)	<u>4,021,244</u>
Income (loss) before capital contributions	(563,195)
Capital contributions	<u>1,848,733</u>
Changes in net position	1,285,538
Beginning net position	7,924,836
Ending net position	<u>\$9,210,374</u>

The Accompanying Notes Are An Integral Part of This Statement

Cowlitz Transit Authority

STATEMENT OF CASH FLOWS

For the fiscal year ended December 31, 2013

	TOTALS
Cash flows from operating activities:	
Cash from customers and users	\$154,950
Cash paid to suppliers/providers	(5,146,766)
Net cash provided (used) by operating activities	(4,991,816)
Cash flows from noncapital financing activities:	
Cash from taxes	2,983,382
Cash from federal grants	929,460
Cash from other sources	25,523
Net cash provided (used) by noncapital financing activities	3,938,365
Cash flows from capital and related financing activities:	
Capital federal grants	1,848,733
Purchase of capital assets	(2,939,705)
Net cash provided (used) by capital and related financing activities	(1,090,972)
Cash flows from investing activities:	
Interest received	7,224
Net cash provided (used) by investing activities	7,224
Net cash increase (decrease)	(2,137,199)
Cash and cash equivalents, January 1	4,768,487
Cash and cash equivalents, December 31	\$2,631,288

Reconciliation of Operating Loss to Net Cash Provided (Used) By Operating Activities

Operating loss	(\$4,584,439)
Adjustments reconciling operating loss to net cash used by operating activities:	
Depreciation expense	432,696
Increase in due from other governments	(838,666)
Decrease in accounts payable	(1,407)
Total adjustments	(407,377)
Net cash provided (used) by operating activities	(\$4,991,816)

Noncash Investing, Capital and Financing Activities

The Authority realized all of its investing, capital and financing activities in either one or more of cash classifications listed below.

End of year cash consists of:

Cash	\$175,288
Cash equivalents	2,456,000
Total cash and cash equivalents	\$2,631,288

The Accompanying Notes Are An Integral Part Of This Statement

**COWLITZ COUNTY PUBLIC TRANSPORTATION BENEFIT AREA AUTHORITY
(CTA)**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cowlitz County Public Transportation Benefit Area Authority, also known as CTA, is a special purpose district formed pursuant to Chapter 36.57A of the Revised Code of Washington. Created January 1, 1988, CTA was established to provide transportation services throughout the Longview-Kelso area of southwest Washington. A demand response service provides paratransit services to those individuals unable to use the fixed route service. The accounting policies of CTA conform to generally accepted accounting principles (GAAP) applicable to governmental proprietary enterprise units. The CTA follows accounting and financial reporting guidance established by the Governmental Accounting Standards Board, which is the accepted standard setting body for transportation benefit area authorities.

A. Reporting Entity

The governing body of CTA consists of five board members. Representatives of the board are comprised of two council members from the City of Longview, two council members from the City of Kelso, and one commissioner from Cowlitz County. The accounting and reporting policies of CTA, which conform to generally accepted accounting principles, are regulated by the Washington State Auditor's Office, Division of Municipal Corporations. The reporting entity of CTA includes only itself as there is no other agency for which the CTA has financial accountability. Financial accountability is determined based on the presence of oversight responsibility or fiscal dependency regarding matters such as budget adoption, taxing authority, and the ability to issue bonded debt. No other agency, based on the above criteria, exercises financial accountability over CTA or displays CTA's proprietary activities within their financial reporting system.

B. Basis of Presentation

The accounting records of the CTA are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The CTA uses the Budgeting, Accounting and Reporting System for Transit Districts in the State of Washington. This report incorporates the implementation of GASB Statement #65 - Items Previously Reported as Assets and Liabilities.

CTA is a proprietary activity which is accounted for on a economic resources measurement focus resulting in the inclusion of all assets and liabilities on its statement of financial condition. Their statement of financial condition reports assets less liabilities resulting in the difference displayed as net position consistent with the Governmental Accounting Standards Board (GASB) Statement #34, Basic Financial Statements, Management Discussion and Analysis for State and Local Governments. Proprietary fund operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. Proprietary activities also disclose cash flows in a separate statement intended to give the reader a summary of the organizations cash receipts and cash disbursements during a given period.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Cowlitz Transit Authority reports its activities using the accrual basis of accounting which recognizes revenues when earned, and records expenses when incurred. The CTA report operating revenues and expenses that result in providing services and producing goods in connection with its principal ongoing operating. All other revenue and expenses not meeting this definition are reporting as nonoperating revenues and expenses.

D. Budgets & Budgetary Accounting

The budget document serves a variety of functions including planning, control and information. It is the primary control document for day to day operations and expenditures. The following summarizes CTA's budget procedures and budget process.

Agency goals are first reviewed which act as a focal point for the estimation of proposed services, and the means to finance them. Executive staff prepares a preliminary budget after reviewing programs and objectives ensuring that service requirements are matched by projected revenues. The board reviews the preliminary budget once it is balanced, and will hold a public hearing on the budget proposals following their review. The budget is adopted in December for the proceeding year by resolution after all adjustments are complete. If necessary, due to significant variations from original estimates, a resolution may be passed amending the budget.

CTA's budget is adopted and formally integrated into its accounting system. However, budgets of proprietary activities are not legally required to be reported as they are considered "management budgets" which are viewed only as approved plans to facilitate budgetary control.

E. Assets, Liabilities & Equities

1. Cash

Under the provisions of RCW 36.57A.130, treasurer duties and responsibilities are performed by the Treasurer of Cowlitz County. Cash management policy dictates that all surplus cash held by the treasurer be invested with interest accruing to the benefit of CTA. CTA's deposits are entirely covered by federal depository insurance, or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Protection Commission.

2. Cash equivalents and investments

Financial reporting standards allow for investments with a maturity date of less than 90 days from their original purchase date to be reported as cash equivalents which CTA incorporates. All other investments, if any, that have a maturity greater than 90 days are reported and accounted for as investments. See Note 4 for further details.

3. Capital assets & depreciation

Capital assets, including infrastructure, are capitalized at total acquisition cost provided that the benefits derived extend beyond the current fiscal year, and that the unit cost is at least \$5,000. Capital assets are depreciated on a straight line basis. See Note 7 for further details on capital assets.

4. Due to other governments

Accruals from intergovernmental services, grants and shared revenues are reported under this caption. Compensated absences from unpaid vacation expense incurred by the City of Longview in providing contractual services on behalf of CTA would also be presented here. However, CTA currently funds their accrual obligation resulting in no reportable liability for employee benefits.

5. Net Position

The entire net position of CTA is reported as unrestricted being available to provide services and meet future credit obligations unless they have been consumed in the financing of capital assets in which case they are reported as net investment in capital assets.

NOTE 2. STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

There have been no material violations of finance related legal or contractual provisions within the activities controlled by CTA.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Cash on hand, demand deposits, and short-term investments with maturities of less than three months are classified as cash and cash equivalents. All receipts received by the Treasurer are deposited into qualified bank depositories as specified by the Washington Public Deposit Protection Commission (WPDPC). All deposits are either covered by federal depository insurance or by collateral held by institutions administered by the WPDPC under risk category 1 reflecting deposits either insured, registered or held by the Authority or its agent in the Authority's name.

Investments

CTA's investment portfolio are deposits with the state investment pool having a fair value equal to their carrying value of \$2,456,000. These cash equivalents have a maturity date of 90 days or less from their original purchase date constituting no true investments as defined in the summary of significant accounting policies. For reporting purposes, changes in the fair value of investments have not been separated from interest income representing realized gains or losses. Investments by nature contain inherent risks specific to their particular type of investment. The nature of CTA's concentrated investment portfolio leave disclosures regarding these risks unnecessary under current generally accepted accounting principles.

NOTE 4. DUE FROM/TO OTHER GOVERNMENTS

Contractual service costs are paid quarterly to the City of Longview based on budget estimates for the public transit services to be incurred that year. These amounts disbursed are adjusted to actual amounts due at year end. Budgeted amounts exceeded the amount due from contractual services for both years presented below by the difference between grants receivable and due to other governments. Grants receivable signifies operating assistance and capital grant accruals while due to other governments represents those same amounts due the City of Longview under contractual services contract offset by the budget estimate disbursements described above.

	2013	2012
Due from other governments		
Taxes receivable	575,379	499,724
Contracts receivable	1,140,474	0
Grants receivable	0	213,108
Due to other governments	0	88,700

NOTE 5. FEDERAL FINANCIAL ASSISTANCE

Through the interlocal agreement discussed in note 9, CTA is the sub-recipient of the federal financial assistance passed through by the City of Longview as the grantor. Listed below are financial assistance programs for fiscal 2012 generated through City of Longview operations on CTA's behalf.

Catalog Number	Federal Agency	Operating Assistance	Capital Funding	Total Revenues
20.507	Federal Transit Administration	838,065	1,848,733	2,686,798

NOTE 6. CONTIGENCIES AND LITIGATION

The CTA participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

NOTE 7. CAPITAL ASSETS

As discussed in the summary of significant accounting policies, CTA operates using an economic resources measurement focus with capital expenditures included in the entity's balance sheet.

Capital asset changes for the CTA for the year 2013 are listed below.

	BALANCE FORWARD	INCREASES	DECREASES	ENDING BALANCE
Capital assets not being depreciated				
Land	280,402	0	0	280,402
Construction in progress	101,633	384,397	101,633	384,397
Total nondepreciated capital assets	382,035	384,397	101,633	664,799
Capital assets being depreciated				
Buildings and Structures	678,401	0	0	678,401
Improvements not buildings	97,130	281,952	0	379,082
Equipment and furnishings	4,173,980	2,374,989	0	6,548,969
Total depreciated capital assets	4,949,511	2,656,941	0	7,606,452
Less accumulated depreciation for:				
Buildings and Structures	247,755	14,062	0	261,817
Improvements not buildings	42,784	3,472	0	46,256
Equipment and furnishings	2,684,783	415,162	0	3,099,945
Total accumulated depreciation	2,975,322	432,696	0	3,408,018
Total depreciated capital assets, net	1,974,189	2,224,245	0	4,198,434
Total capital assets, net	2,356,224	2,608,642	101,633	4,863,233

Depreciation expense is charged to operations to allocate the cost of capital. This allocation is done using the straight line method of depreciation based on depreciable lives as indicated below.

Buildings and structures	10 - 50 years
Other improvements	10 - 40 years
Equipment and furnishings	3 - 20 years

NOTE 8. RISK MANAGEMENT

The Cowlitz Transit Authority is one of 25 Washington Public Transit Agencies that make up the Washington State Transit Insurance Pool (WSTIP or the Pool). These member agencies pool resources to obtain insurance coverage, manage claims and litigation, and receive risk management training. Coverages are a combination of self-insurance, pooled coverage, and commercial market insurance. With respect to personal and bodily injury there are no deductibles. The Pool covers the first million with the next four million split 83% to 17% between the pool and its members respectively. The next seven million is covered in full by the OneBeacon Insurance Company. WSTIP has contracted with Governmental Entities Management, Inc. to provide its property coverage. Limits here are \$350 million per occurrence as well as in the aggregate for such perils and floods at \$50 million with errors & omissions, earthquakes, volcanoes, and construction projects at \$25 million. Deductibles for property damage are \$2,500 plus 2.5% of annual tax value. For a more in-depth listing of coverage levels, limits and deductibles, see the WSTIP website under the coverage section of their 2012 annual report.

NOTE 9. RELATED PARTY TRANSACTIONS**A. Public Transportation Services**

CTA through an interlocal agreement, contracts with the City of Longview in providing public transportation services within the benefit area. The provisions of the agreement are that the City of Longview, having previously operated a system of public transportation, will provide services in the public benefit transportation area on behalf of CTA. The Cowlitz Transit Authority is to pay to the City of Longview all costs and expenses incurred in providing these services including all labor and other operating expenses as well as vehicle maintenance and capital acquisition costs.

Contractual activities of the City of Longview are detailed below.

	2013	2012
Professional services	1,506,727	1,084,757
Personnel	1,464,052	1,067,307
Rentals and leases	886,397	754,363
Insurance	72,453	92,087
Supplies	69,549	43,759
Interfund transfers	40,236	30,948
Utilities	26,400	27,130
Other	32,818	24,225
Repairs and Maintenance	4,335	9,949
Advertising	25,739	7,634
CTA expenses from contractual services with the City of Longview	4,128,706	3,142,159

This agreement is to continue through December 31, 2016 unless terminated by either party, with an extension granted by mutual consent of both parties.

COWLITZ TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2013

FEDERAL AGENCY / PASS-THROUGH AGENCY	FEDERAL CFDA NUMBER	OTHER IDENTIFICATION	CURRENT EXPENDITURE AWARDS			Footnote Reference
			DIRECT	INDIRECT	TOTAL	
U.S. DEPT. OF TRANSPORTATION / CITY OF LONGVIEW, WASHINGTON						
Federal Transit Formula Grants	20.507	WA-58-X006	\$0	\$1,120,500	\$1,120,500	2,3
Federal Transit Formula Grants	20.507	WA-90-X393	0	549,798	549,798	2,3
Federal Transit Formula Grants	20.507	WA-90-X494	0	60,721	60,721	2,3
Federal Transit Formula Grants	20.507	WA-90-4514	0	777,134	777,134	2,3
Federal Transit Formula Grants - ARRA	20.507	WA-96-X017-00	0	178,645	178,645	2,3
Federal Transit Formula Grants	20.507	Program income	0	162,805	162,805	3,4
Total US Dept. of Transportation			0	2,849,603	2,849,603	
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$0	\$2,849,603	\$2,849,603	

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared using the accrual basis of accounting which recognizes revenues when earned, and expenditures when incurred. This is also the basis of accounting used to prepare the financial statements of the Cowlitz Transit Authority.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the transit's portion, are more than shown.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Cowlitz Transit Authority, a public transportation benefit area created pursuant to RCW Chapter 36.57A, and the City of Longview, a municipal corporation, entered into an interlocal agreement to provide public transportation services on January 1, 1988. The City of Longview provides transportation services within the area of the Cowlitz Transit Authority in accordance with the comprehensive plan and public transportation schedules as determined by the Cowlitz Transit Authority. The Cowlitz transit Authority reimburses the City of Longview for all costs incurred toward providing transportation services. Based on this agreement and the nature of operation, the City of Longview expends these funds through a pass-through relationship. This interlocal agreement shall continue until midnight of December 31, 2016 unless terminated by either party or extended by mutual consent.

NOTE 4 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.

Corrective Action Plan for Findings Reported Under OMB Circular A-133

**Cowlitz Transit Authority
Cowlitz County
January 1, 2013 through December 31, 2013**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Cowlitz Transit Authority. The State Auditor's Office has reviewed the information as presented by the Transit Authority.

Finding ref number: 1	Finding caption: The Authority did not maintain appropriate time and effort documentation, resulting in questioned costs of \$17,259.
Name, address, and telephone of auditee contact person: Steve Coons P.O. Box 128 Longview, WA 98632-7080 (360) 442-5034	
Corrective action the auditee plans to take in response to the finding: <ul style="list-style-type: none">• <i>Incorporate time and effort documentation through payroll timesheet entry.</i>• <i>Remove applicable payroll costs from reimbursement requests.</i>	
Anticipated date to complete the corrective action: Immediate	



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