



RTO & COMPANY
Certified Public Accountants

305 E. Fifth Street
The Dalles, OR 97058
phone [541] 296.2000
fax [541] 296.5636
www.rto.cpa

Hood River Transportation District
224 Wasco Loop
Hood River, OR 97031

Dear Members of the Board of Directors:

We have completed our audit of the District's financial statements for the fiscal year ended June 30, 2023 and our audit report has been issued. The purpose of this letter is to advise you of matters that came to our attention during the audit and to make recommendations to your staff.

- 1) ACH automatic payments are currently not going through any formal approval process. We recommend implementing a list of vendors that have automatic ACH payments set up and having the Board review and approve the list annually as an added control over expenditure authorization.
- 2) We recommend including the payroll approval (done via email) with the supporting payroll documentation that is uploaded to QuickBooks Online. This will make the approval easier to retrieve and clearly show the date payroll was approved and by whom.

We would like to take the opportunity to commend the District's staff on their responsiveness and communication throughout the audit process. This proved essential in the timely completion of the audit and was much appreciated.

Thank you for the opportunity to be of service to the District.

For RTO & Company
The Dalles, Oregon 97058
December 18, 2023



305 E. Fifth Street
The Dalles, OR 97058
phone [541] 296.2000
fax [541] 296.5636
www.rto.cpa

Board of Directors & Management
Hood River Transportation District
224 Wasco Loop
Hood River, OR 97031

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Hood River Transportation District as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Hood River Transportation 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 Hood River Transportation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hood River Transportation District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be a material weakness.

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. We consider the following deficiencies in internal control to be significant deficiencies:

2023-1 The District controls over the SEFA preparation were insufficient to produce an accurate and up to date SEFA prior to the audit commencing. Without adequate controls over SEFA preparation, a materially misstated SEFA may go undetected and insufficient audit testing and major program coverage may result.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "A. S. O. M.", written over a horizontal line.

For RTO & Company
The Dalles, Oregon 97058
December 18, 2023

HOOD RIVER COUNTY TRANSPORTATION DISTRICT

HOOD RIVER COUNTY, OREGON

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

HOOD RIVER COUNTY TRANSPORTATION DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

| <u>INTRODUCTORY SECTION</u> | <u>PAGE</u> |
|---|-------------|
| Title Page | 1 |
| Table of Contents | 2 |
| Board of Directors and Administrative Officers | 4 |
| <u>FINANCIAL SECTION</u> | |
| Independent Auditor's Report | 6 |
| Basic Financial Statements: | |
| <u>Government-Wide Financial Statements:</u> | |
| Statement of Net Position – Modified Cash Basis | 11 |
| Statement of Activities – Modified Cash Basis | 12 |
| <u>Fund Financial Statements:</u> | |
| Balance Sheet – Modified Cash Basis - Governmental Funds | 13 |
| Reconciliation of the Balance Sheet to Statement of Net Position | 14 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis – Governmental Funds | 15 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 16 |
| <u>Notes to Basic Financial Statements</u> | 17 |
| Other Matters: | |
| <u>Other Information</u> | 27 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance with Budgetary Comparisons – Budgetary Basis – General Fund | 28 |
| <u>Other Financial Schedules:</u> | |
| Schedule of Expenditures of Federal Awards | 30 |
| Notes to the Schedule of Expenditures of Federal Awards | 31 |
| Schedule of Findings and Questioned Costs | 32 |

Other Required Reports:

| | |
|--|----|
| 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 | 35 |
| Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance | 37 |
| Independent Auditor's Report Required by Oregon State Regulations | 40 |

HOOD RIVER COUNTY TRANSPORTATION DISTRICT
BOARD OF DIRECTORS AND ADMINISTRATIVE OFFICERS
FOR THE YEAR ENDED JUNE 30, 2023

| <u>NAME</u> | <u>POSITION</u> | <u>TERM EXPIRES</u> |
|-----------------|---------------------|---------------------|
| Lara Dunn | Director | 2023 |
| Leti Moretti | Director | 2023 |
| Darrell Roberts | Secretary-Treasurer | 2025 |
| Megan Ramey | Vice Chair | 2025 |
| Meghan Larivee | Director | 2025 |
| Greg Pack | Chair | 2025 |
| Tamra Taylor | Director | 2027 |

ADMINISTRATIVE OFFICERS

| | |
|--------------|--------------------|
| Amy Schlappi | Executive Director |
| Tiah Mayhew | Office Manager |

All addresses (unless otherwise noted) are as follows:
224 Wasco Loop
Hood River, OR 97031

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hood River County Transportation District
The Dalles, Oregon 97058

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of Hood River County Transportation District, 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 financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of Hood River County Transportation District, as of June 30, 2023, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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. 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 Hood River County Transportation 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 – Change in Accounting Principle

As discussed in Note 9 to the financial statements, as of and for the year ended June 30, 2023, the District changed its method of accounting to the modified cash basis of accounting. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of American. Our opinion is 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 the modified cash basis of accounting described in Note 1; and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Hood River County Transportation 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 Hood River County Transportation 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hood River County Transportation District's basic financial statements. The General Fund budgetary basis fund financial statement and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 General Fund budgetary basis fund financial statement and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do

not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

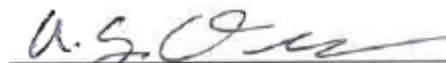
Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2023, on our consideration of Hood River Transportation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hood River Transportation District's 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 Hood River Transportation District's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 18, 2023 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



For RTO & Company
The Dalles, OR 97058
December 18, 2023

BASIC FINANCIAL STATEMENTS

HOOD RIVER COUNTY TRANSPORTATION DISTRICT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS

JUNE 30, 2023
(all amounts are in dollars)

| | |
|--|-----------------------------|
| <u>ASSETS:</u> | |
| Cash and Cash Equivalents | 1,005,151 |
| Capital Assets (Note 4): | |
| Nondepreciable, Land | 436,003 |
| Depreciable, Net of Accumulated Depreciation | <u>2,683,435</u> |
| TOTAL ASSETS | <u>4,124,589</u> |
| <u>LIABILITIES:</u> | |
| Credit Card Payable | <u>7,802</u> |
| TOTAL LIABILITIES | <u>7,802</u> |
| <u>NET POSITION:</u> | |
| Net Investment in Capital Assets | 3,119,438 |
| Restricted by Grant Stipulations | 200,000 |
| Unrestricted | <u>797,350</u> |
| <u>TOTAL NET POSITION</u> | <u><u>4,116,788</u></u> |

(SEE NOTES TO THE BASIC FINANCIAL STATEMENTS)

HOOD RIVER COUNTY TRANSPORTATION DISTRICT

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2023

(all amounts are in dollars)

| <u>FUNCTIONS/PROGRAMS</u> | <u>Expenses</u> | <u>PROGRAM REVENUES</u> | | | <u>Net Expenses/ Revenues and changes in Net Position</u> |
|--|---------------------------|---|---|---|---|
| | | <u>Fees, Fines and Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Total Governmental Activities</u> |
| Administration | (553,060) | - | - | - | (553,060) |
| Public Transportation | (2,329,095) | 264,809 | 2,052,239 | 422,912 | 410,865 |
| <u>TOTAL GOVERNMENTAL ACTIVITIES:</u> | <u>(2,882,154)</u> | <u>264,809</u> | <u>2,052,239</u> | <u>422,912</u> | <u>(142,194)</u> |

General Revenues:

| | |
|-------------------------------------|-----------|
| Property Taxes | 217,316 |
| Interest income | 19,869 |
| Gain (Loss) on Sale of Fixed Assets | (191,513) |
| Total General Revenues | 45,672 |

Change in Net Position (96,523)

Net Position -- Beginning of the Year 4,594,591

Prior Period Adjustment (See Note 10) (381,281)

Net Position -- End of the Year 4,116,788

(SEE NOTES TO THE BASIC FINANCIAL STATEMENTS)

HOOD RIVER COUNTY TRANSPORTATION DISTRICT

BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

(all amounts are in dollars)

| | <u>GENERAL FUND</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|---|-------------------------|---|
| <u>ASSETS:</u> | | |
| Cash and Cash Equivalents | 1,005,151 | 1,005,151 |
| <u>TOTAL ASSETS</u> | <u>1,005,151</u> | <u>1,005,151</u> |
| | | |
| <u>LIABILITIES & FUND BALANCE</u> | | |
| | | |
| <u>LIABILITIES:</u> | | |
| Credit Card Payable | 7,802 | 7,802 |
| <u>TOTAL LIABILITIES</u> | <u>7,802</u> | <u>7,802</u> |
| | | |
| <u>FUND BALANCE:</u> | | |
| Restricted by Grant Stipulations | 200,000 | 200,000 |
| Unassigned | 797,350 | 797,350 |
| <u>TOTAL FUND BALANCE</u> | <u>997,350</u> | <u>997,350</u> |
| | | |
| <u>TOTAL LIABILITIES AND FUND BALANCE</u> | <u>1,005,151</u> | <u>1,005,151</u> |

(SEE NOTES TO THE BASIC FINANCIAL STATEMENTS)

HOOD RIVER COUNTY TRANSPORTATION DISTRICT

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2023

(all amounts are in dollars)

| | |
|---|-------------------------|
| Total Fund Balance -- Governmental Funds | 997,350 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | <u>3,119,438</u> |
| Net Position of Governmental Activities | <u><u>4,116,788</u></u> |

(SEE NOTES TO THE BASIC FINANCIAL STATEMENTS)

HOOD RIVER COUNTY TRANSPORTATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

(all amounts are in dollars)

| | GENERAL FUND | TOTAL GOVERNMENTAL FUNDS |
|--|----------------------|--------------------------------|
| <u>REVENUES:</u> | | |
| Taxes | 217,316 | 217,316 |
| Intergovernmental Revenue | 2,475,151 | 2,475,151 |
| Charges for Services | 264,809 | 264,809 |
| Interest | 19,869 | 19,869 |
| <u>TOTAL REVENUES</u> | <u>2,977,145</u> | <u>2,977,145</u> |
| <u>EXPENDITURES:</u> | | |
| Current: | | |
| Administration | 553,060 | 553,060 |
| Public Transportation | 2,052,922 | 2,052,922 |
| Capital Outlay | 543,849 | 543,849 |
| <u>TOTAL EXPENDITURES</u> | <u>3,149,830</u> | <u>3,149,830</u> |
| Excess of Revenues Over (Under) Expenditures | (172,686) | (172,686) |
| <u>OTHER FINANCING SOURCES (USES):</u> | | |
| Sale of Fixed Assets | 58,391 | 58,391 |
| <u>TOTAL OTHER FINANCING SOURCES (USES):</u> | <u>58,391</u> | <u>58,391</u> |
| Net Change in Fund Balance | (114,295) | (114,295) |
| <u>FUND BALANCE - BEGINNING OF YEAR</u> | 1,488,339 | 1,488,339 |
| PRIOR PERIOD ADJUSTMENT (SEE NOTE 10) | <u>(376,695)</u> | <u>(376,695)</u> |
| <u>FUND BALANCE - END OF YEAR</u> | <u>997,350</u> | <u>997,350</u> |

(SEE NOTES TO THE BASIC FINANCIAL STATEMENTS)

HOOD RIVER COUNTY TRANSPORTATION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(all amounts are in dollars)

Net Change in Fund Balance -- Governmental Funds (114,295)

Capital asset additions are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.

| | |
|------------------------------------|------------------|
| Less Depreciation Expense | (243,698) |
| Plus Capital Asset Additions | 511,374 |
| Less Unrecovered Cost of Disposals | <u>(249,904)</u> |

Change in Net Position (96,523)

(SEE NOTES TO THE BASIC FINANCIAL STATEMENTS)

HOOD RIVER COUNTY TRANSPORTATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Hood River County Transportation District (the "District") is a subdivision of state government and functions as a local unit under the direction of a seven-member elected board of directors. The District was formed on July 1, 1993 and organized under the provisions of Oregon Revised Statutes (ORS) Chapter 267, the District is authorized to levy taxes and charge fares to fund the operations of the District and issue general obligation bonds and revenue bonds.

As discussed further below, these financial statements have been prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting. The more significant of the District's accounting policies are described below:

REPORTING ENTITY:

Generally accepted accounting principles require the financial statements present the District (the primary government) and all component units. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements.

Based upon the application of the above criteria, the District has no component units. As a result, all significant activities of the organization have been included in the basic financial statements.

BASIS OF PRESENTATION:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities report information on all the non-fiduciary governmental activities of the District as a whole within the limitations of modified cash basis of accounting. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. Program revenues include 1) charges to those who use or directly benefit from transportation services and 2) grants and contributions

that are restricted to meeting the operating requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues. The District has no business-type activities.

FUND FINANCIAL STATEMENTS:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures or expenses. The District's funds are organized into one major category: governmental. The District has no proprietary or fiduciary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of that individual governmental fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are grouped in the financial statements as follows:

Governmental Fund Types

General Fund: The General Fund is the District's primary operating fund and is always classified as a major fund. Currently, this is the District's only fund. The principal revenue sources are grants, charges for services, property taxes, and interest.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

MEASUREMENT FOCUS

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Under this measurement focus, all assets, and associated with the activities are generally reported within the limitations of modified cash basis of accounting.

The governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on the balance sheets. The operating statement presents sources and uses of available spendable financial resources during a given period. Fund balance is the measure of available spendable financial resources at the end of the period.

BASIS OF ACCOUNTING

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures are not recorded in these financial statements. The only exception is the District's year end credit card balance which is listed as Credit Card Payable in the financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the full accrual basis of accounting.

FINANCIAL POSITION

CASH AND CASH EQUIVALENTS:

For the purpose of financial reporting, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short term investments with an original maturity of three months or less.

The District's investments consist of monies deposited and invested in a fiduciary capacity by Hood River County. These investments are not rated and are carried at cost which approximates fair value. Authorized investments are prescribed in Oregon Revised Statutes. These funds are not SEC registered. Hood River County, including the investment pool, is audited annually in compliance with Oregon Revised Statutes.

CAPITAL ASSETS:

The District’s modified cash basis of accounting reports capital assets from cash transactions or events and reports depreciation, when appropriate.

Government-Wide Financial Statements

In the government-wide financial statements, capital assets arising from cash transactions or events are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Replacements, which improve or extend the lives of property, are capitalized. Interest incurred during construction is not capitalized on capital assets. Maintenance, repairs and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|----------------------|-----------|
| Multi-modal facility | 40 years |
| Vehicles and buses | 10 years |
| Office equipment | 3-7 years |

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions or events acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

CREDIT CARD PAYABLE

The District’s year-end credit card balance is accrued and included here as a modification to the pure cash basis of accounting in the District’s financial statements.

LONG TERM DEBT

All long-term bonds, notes and other debt arising from cash transactions or events to be repaid from the governmental resources are reported as liabilities in the government-wide statements. Currently the District has no debt.

NET POSITION/FUND BALANCE CLASSIFICATIONS

Government-Wide Financial Statements

Net Position is classified and displayed in three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those

assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District’s policy is to apply restricted net position first.

Fund Financial Statements

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balances with respective levels of constraint. In the fund financial statements, Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, and Governmental Fund Type Definitions (GASB 54) define the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the five balance components listed:

Nonspendable – Includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted – Consists of amounts that can only be used for the specific purpose stipulated by external resource providers, constitutional provisions, or enabling legislation.

Committed – Consists of amounts that can only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, which includes resolutions. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (resolution) it employed previously to commit those amounts.

Assigned – Consists of amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The authority for assigning fund balance is expressed by the Board of Directors, or their designee.

Unassigned – Residual classification of fund balance that includes all spendable amounts that have not been restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources

(committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the District's policy to use committed resources first, then assigned, and then unassigned, as they are needed.

COMPENSATED ABSENCES:

The District's policies permit employees vacation and compensatory time credits. Accumulated unpaid vacation and compensatory time cannot exceed 176 hours and is earned at a rate between 3.09 to 6.74 hours per pay period (depending on years of service). Vacation benefits are intended to provide eligible employees with a period of paid rest and relaxation away from work. Accordingly, employees are encouraged to schedule vacations each year, and to use all earned vacation benefits. Sick leave is not payable upon termination. Because the liability for compensated absences does not result from cash basis transactions, no liability for compensated absences has been recorded in the District's financial statements.

PROPERTY TAXES:

Real property taxes are levied and attached as enforceable lien on property as of July 1 of each fiscal year. Real property taxes may be paid in full by November 15 with a 3% discount, or paid in three equal payments on November 15, February 15, and May 15. Hood River County, Oregon makes all assessments of property value and levies and collects property taxes for all levying districts within the County.

USE OF ESTIMATES:

The preparation of financial statements in accordance with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that effect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense). Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

BUDGET AND BUDGETARY ACCOUNTING

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The budget is prepared on the current resources, modified cash basis of accounting for each fiscal year July 1 to June 30.

The budget process includes a series of notices and publications culminating with the budget hearing. After the public hearing has been held, the Board enacts the resolutions to adopt the budget, make appropriations, and declare the ad valorem tax levy for all funds. The Appropriations Resolution contains amounts for personal services, materials and services, capital outlay, debt service, interfund transfers and operating contingency. This is the level of control for authorized expenditures. The level of expenditures is monitored throughout the year. Transfers are made from operating contingency or between the major object classifications of the appropriation for each fund as required

to prevent an over-expenditure. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget requires hearings before the public, publication in newspapers, and approval by the Board of Directors. Original and supplemental budgets may be modified by the use of appropriations transfers between the level of controls. Such transfers require the approval of the Board of Directors.

Expenditures cannot legally exceed the appropriation levels. Appropriations for all funds lapse at the end of the fiscal year.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

The District had no instances whereby any of its expenditures exceeded appropriations for the fiscal year ended June 30, 2023.

3. CASH AND INVESTMENTS:

The District's cash and investments (recorded at cost) are categorized as follows:

| | |
|-------------------------------|---------------------|
| Checking and Savings Accounts | \$ 279,175 |
| Hood River County Treasurer | <u>725,976</u> |
| | <u>\$ 1,005,151</u> |

Custodial Credit Risk—Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. In order to minimize this risk, state statutes require banks holding public funds to become members of the Public Funds Collateralization Program (PFCP, a multiple financial institution collateral pool created by the Office of the State Treasurer.) To qualify, participating banks must pledge collateral against any public fund deposits in excess of deposit insurance. The amount of collateral is set by the PFCP between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participating bank depositories, it does not guarantee that all funds are 100% protected. At June 30, 2023, the District did not have any deposits exposed to custodial credit risk or a formal policy to address this type of risk.

Deposits with Financial Institutions – Deposits with financial institutions consist of bank demand deposits with institutions qualified under the Public Funds Collateralization Program (ORS 295). The total bank balance per the bank statements was \$291,021, all of which was covered by federal depository insurance.

Investments – Oregon Revised Statutes 294.035 authorizes the District to invest in general obligations of the U.S. government and its agencies, bankers' acceptances, commercial paper rated A-2 or better by Standard & Poor's Corporation or P-2 by Moody's Investors Service, and the State of Oregon Local Government Investment Pool (LGIP), among others. The only investments held by the District at June 30, 2023 were amounts deposited with Hood River County and were not rated.

The deposits with the County have the general characteristics of a demand deposit

account in that any participating entity may withdraw cash at any time without prior notice.

The District's position with the County is stated at cost which approximates the fair value.

Foreign Currency Risk – Oregon Revised Statutes prohibit investments that are not U.S. Dollar-denominated; therefore, the District is not exposed to this risk.

Custodial Credit Risk—Investments – Custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. At June 30, 2023, the District did not have any investments exposed to custodial credit risk or a formal policy designed to address this type of risk.

Credit Risk—Investments – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments are unrated.

Concentration of Credit Risk—Investments – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. There are no investments in any one issuer that represent five percent or more of the District's total investments. At June 30, 2023, The District did not have a formal policy designed to address this type of risk.

Interest Rate Risk—Investments – Interest rate risk is the risk that changes in interest rates demanded by the market will adversely affect the value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. At June 30, 2023, the District did not have a formal policy designed to limit this type of risk.

4. **CAPITAL ASSETS:**

The following is a summary of property, plant, and equipment accounts, and related accumulated depreciation for the year-ended June 30, 2023:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|-----------------------------|------------------------------|--------------------------|----------------------------|----------------------------|
| Non-Depreciable | | | | |
| Land | \$ 436,003 | \$ - | \$ - | \$ 436,003 |
| Depreciable | | | | |
| Vehicles and Equipment | 1,477,719 | 511,374 | (483,591) | 1,505,501 |
| Buildings & Improvements | 2,235,846 | - | - | 2,235,846 |
| Transit Improvements | 828,907 | - | - | 828,907 |
| Subtotal | <u>4,978,475</u> | <u>511,374</u> | <u>(483,591)</u> | <u>5,006,256</u> |
| Accumulated Depreciation | | | | |
| Vehicles and Equipment | (887,006) | (143,168) | 233,687 | (796,487) |
| Buildings & Improvements | (678,576) | (56,716) | - | (735,292) |
| Transit Improvements | (311,225) | (43,813) | - | (355,038) |
| Subtotal | <u>(1,876,807)</u> | <u>(243,698)</u> | <u>233,687</u> | <u>(1,886,818)</u> |
| TOTAL CAPITAL ASSETS | \$ <u>3,101,667</u> | \$ <u>267,676</u> | \$ <u>(249,904)</u> | \$ <u>3,119,438</u> |

Depreciation expense of \$243,698 is recorded as a program expense in the accompanying Statement of Activities for the year ended June 30, 2023.

5. RETIREMENT PLAN:

The District has adopted a deferred compensation plan and a matching and contribution plan under sections 457(b) and 401(a) of the Internal Revenue Code (IRC), respectively. The plan is administered by AIG Valic. Employees who complete one year of service and whose compensation is at least \$5,000 per year are eligible to participate in the plan. Eligible employees may elect to defer eligible compensation subject to limits established by IRC Section 567(b) immediately upon hire and the District matches employee deferrals up to 4% of annual compensation. The District Board of Directors has the authority to establish or amend the plan's provisions and contribution requirements. During the year ended June 30, 2023, the District contributed \$15,680 to the Plan and employees contributed a total of \$19,488. For the fiscal year ended 2022 those contributions were \$7,613 and \$8,820 respectively. And for the fiscal year ended 2021 contributions were \$1,989 and \$4,334.

6. RISK MANAGEMENT:

The District purchases commercial insurance policies to insure against most hazards. There have been no significant reductions in the District's insurance coverage, in any risk category, from coverage in the prior year. No losses were incurred during the prior three years ended June 30, 2023 that exceeded the District's insurance coverage.

7. COMMITMENTS AND CONTINGENT LIABILITIES:

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

amounts, if any, to be immaterial.

8. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the date of this financial statement with management. The date of this financial statement is also the issuance date. Management is not aware of any additional subsequent events requiring recognition or disclosure in the financial statements.

9. CHANGE IN ACCOUNTING PRINCIPLE:

The District has changed its method of accounting to the modified cash basis of accounting (described in Note 1) for the fiscal year ended June 30, 2023. The District believes this new method of accounting will benefit the users of the financial statements, both internal and external by simplifying financial statement presentation. The effect of the change is presented in Note 10 below, Prior Period Adjustment.

10. PRIOR PERIOD ADJUSTMENT:

As described in Note 9 above, Change in Accounting Principle, the District changed its method of accounting to the modified cash basis of accounting. Accordingly, the beginning net position was restated to eliminate revenue recorded but not yet collected and add back expenditures incurred but not yet paid as of July 1, 2022.

The net effect of these restatements are as follows:

| | |
|---|------------------------------------|
| <u>Governmental Funds:</u> | <u>General Fund</u> |
| July 1, 2022 Fund Balance -- Originally Reported | 1,488,339 |
| GAAP to Modified Cash Basis Adjustment | <u>(376,695)</u> |
| July 1, 2022 Fund Balance -- Restated Modified Cash Basis | <u><u>1,111,644</u></u> |
| | |
| <u>Government - Wide Statements:</u> | <u>Governmental Activities</u> |
| July 1, 2022 Net Position -- Originally Reported | 4,594,591 |
| GAAP to Modified Cash Basis Adjustment | <u>(381,281)</u> |
| July 1, 2022 Net Position -- Restated Modified Cash Basis | <u><u>4,213,310</u></u> |

OTHER INFORMATION

HOOD RIVER COUNTY TRANSPORTATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WITH BUDGETARY COMPARISONS - BUDGETARY BASIS - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

(all amounts are in dollars)

| | <u>BUDGETED AMOUNTS</u> | | | |
|---|-------------------------|------------------|------------------|------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>VARIANCE</u> |
| <u>REVENUES:</u> | | | | |
| Taxes | 210,000 | 210,000 | 217,316 | 7,316 |
| Intergovernmental Revenue | 2,972,766 | 2,972,766 | 2,475,151 | (497,615) |
| Charges for Services | 260,000 | 260,000 | 264,809 | 4,809 |
| Interest | 61,258 | 61,258 | 19,869 | (41,389) |
| <u>TOTAL REVENUES:</u> | <u>3,504,024</u> | <u>3,504,024</u> | <u>2,977,145</u> | <u>(526,879)</u> |
| <u>EXPENDITURES:</u> | | | | |
| Current: | | | | |
| Personnel Services | 1,725,703 | 1,725,703 | 1,637,244 | 88,459 |
| Materials & Services | 1,041,748 | 1,041,748 | 968,737 | 73,011 |
| Capital Outlay | 957,760 | 957,760 | 543,849 | 413,911 |
| <u>TOTAL EXPENDITURES</u> | <u>3,725,211</u> | <u>3,725,211</u> | <u>3,149,830</u> | <u>575,381</u> |
| Excess of Revenues Over (Under) Expenditures | (221,187) | (221,187) | (172,686) | 48,501 |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | | |
| Sale of Fixed Assets | - | - | 58,391 | 58,391 |
| <u>TOTAL OTHER FINANCING SOURCES (USES):</u> | <u>-</u> | <u>-</u> | <u>58,391</u> | <u>58,391</u> |
| Net Change in Fund Balance | (221,187) | (221,187) | (114,295) | 106,892 |
| <u>FUND BALANCE - BEGINNING OF YEAR</u> | 1,403,056 | 1,297,951 | 1,488,339 | 190,388 |
| Prior Period Adjustment (See Note 10) | - | - | (376,695) | (376,695) |
| <u>FUND BALANCE - END OF YEAR</u> | <u>1,181,869</u> | <u>1,076,764</u> | <u>997,350</u> | <u>(79,414)</u> |

OTHER FINANCIAL SCHEDULES

**Hood River Transportation District
Schedule of Expenditures of Federal Awards
6/30/2023
(all amounts are in dollars)**

| <u>FEDERAL GRANTOR/PASS- THROUGH GRANTOR/ PROGRAM TITLE</u> | <u>FEDERAL AL NUMBER</u> | <u>PASS SUB GRANT NUMBER</u> | <u>GRANT PERIOD</u> | <u>PROGRAM OR AWARD AMOUNT RECEIVED</u> | <u>PROGRAM OR AWARD AMOUNT EXPENDED</u> |
|---|----------------------------------|--|-------------------------|---|---|
| <u>U.S. DEPARTMENT OF TRANSPORTATION:</u> | | | | | |
| <u>PASSED THROUGH STATE DEPARTMENT OF TRANSPORTATION:</u> | | | | | |
| <i>Formula Grants for Rural Areas and Tribal Transit Program (COVID-19 Funding)</i> | | | | | |
| CARES Project Admin & Operations | 20.509 | 34740 | 3/21/21-6/30/23 | 3,056 | 3,056 |
| CARES/5311 Project Admin & Operations | 20.509 | 34976 | 6/29/21-6/30/23 | 390,176 | 213,748 |
| CARES Project Admin & Operations | 20.509 | 35387 | 6/29/21-6/30/23 | <u>191,358</u> | <u>488,538</u> |
| <i>Total AL 20.509</i> | | | | <u>584,590</u> | <u>705,342</u> |
| 5310 PM, Mobility Management, Route Signing | 20.513 | 35149 | 7/1/21-6/30/23 | 93,766 | 130,934 |
| Metrol and Non-Metrol Planning Grant | 20.515 | 35131 | 7/1/21-6/30/23 | 48,491 | 52,936 |
| Buses and Bus Facilities Formula Grant | 20.526 | 34216 | 7/1/20-12/31/23 | 422,912 | 422,912 |
| <u>TOTAL U.S. DEPARTMENT OF EDUCATION</u> | | | | <u>1,149,759</u> | <u>1,312,124</u> |
| <u>TOTAL FEDERAL AWARDS</u> | | | | <u>1,149,759</u> | <u>1,312,124</u> |

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Hood River Transportation District
Notes to the Schedule of Federal Awards
For the Year Ended June 30, 2023

NOTE 1 – BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant awards activity of Hood River Transportation District under programs of the federal government for the year ended June 30, 2023. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported in the SEFA are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – SUBRECIPIENTS

No amounts were provided to sub recipients.

NOTE 5 – NON-CASH AWARDS

The District did not receive any non-cash awards during the fiscal year ended June 30, 2023.

**Hood River Transportation District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Section 1

Financial Statements:

Summary of Auditor's Results

| | | |
|----|--|------------|
| 1. | Type of auditor's report issued? | Unmodified |
| 2. | Internal controls over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards

| | | |
|----|---|---------------|
| 1. | Internal Controls over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. | Type of auditor's report issued on compliance for major programs? | Unmodified |
| 3. | Any audit findings disclosed which are required to be reported in accordance with section 200.516(a) of the Uniform Guidance? | No |
| 4. | Identification of major programs: | |
| | a. Formula Grants for Rural Areas and Tribal Transit Program | 20.509 (5311) |
| 5. | The dollar threshold used to distinguish between Type A and Type B programs? | 750,000 |
| 6. | Qualification as a low-risk auditee: The District did not qualify as a low-risk auditee for the year ended June 30, 2023. | |

Section 2

Financial Statement Findings

Finding 2023-01 Insufficient Tracking and Separating of Federal Awards

Type of Finding: Significant Deficiency

Criteria: The District's internal control, as defined by the COSO framework, should be sufficient to accurately determine, and separately track, federal and state grants and the timing of when federal awards are spent according to the modified cash basis of accounting.

Condition: The District's controls over the SEFA preparation were insufficient to produce an accurate and up to date SEFA prior to the audit commencing.

Cause: The District is new to Single Audits and SEFA preparation and is inexperienced in separating federal vs state awards and appropriately tracking differences between federal award spending and federal award receipts.

Effect: Without adequate controls over SEFA preparation, a materially misstated SEFA may go undetected potentially leading to misidentification of major programs or insufficient single audit program coverage.

Recommendation: We recommend the District thoroughly review all supporting documentation when making a determination if a grant is originally sourced from the federal or state level. We also recommend the District consistently reconcile all supporting documentation to an up to date SEFA while keeping in mind the differences between federal award spending versus receipt.

View of Responsible Official: Hood River County Transportation District management agrees with and understands the finding. Moving forward the District will work with their outside accountant consultant to ensure SEFA preparation is a standard piece of the annual audit procedures.

Section 3

Federal Award Findings and Questioned Costs

No additional federal award findings were identified other than the financial statement Finding 2023-01 noted above which applies to federal awards as well as the financial statements.

OTHER REQUIRED REPORTS

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*

To the Board of Directors
Hood River Transportation District
The Dalles, Oregon

We have audited, in accordance with the 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 governmental activities, the major fund, and the aggregate remaining fund information of Hood River Transportation District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Hood River Transportation District's basic financial statements and have issued our report thereon dated December 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hood River Transportation 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 Hood River Transportation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hood River Transportation District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-01 to be a significant deficiency.

Report on Compliance and Other Matters

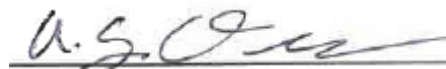
As part of obtaining reasonable assurance about whether Hood River Transportation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not 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*.

Hood River Transportation District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Hood River Transportation District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For RTO & Company
The Dalles, OR 97058
December 18, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Hood River Transportation District
The Dalles, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hood River Transportation District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hood River Transportation District's major federal programs for the year ended June 30, 2023. Hood River Transportation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hood River Transportation District 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 June 30, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hood River Transportation District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hood River Transportation District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hood River Transportation District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hood River Transportation District's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hood River Transportation District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Hood River Transportation District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hood River Transportation District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hood River Transportation District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did

identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

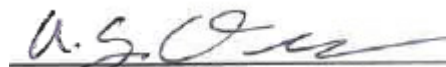
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement 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. We did not consider any deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be a material weakness.

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. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs as 2023-01 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Hood River Transportation District's response to the internal control over compliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Hood River Transportation District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



For RTO & Company
The Dalles, OR 97058
December 18, 2023

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

We have audited the basic financial statements of Hood River County Transportation District as of and for the year ended June 30, 2023, and have issued our report thereon dated December 18, 2023. 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 Hood River County Transportation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

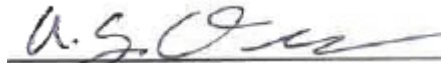
In connection with our testing nothing came to our attention that caused us to believe Hood River County Transportation District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

ORS 162-10-0230 Internal Control

In planning and performing our audit, we considered Hood River County Transportation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hood River County Transportation District's internal

control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting. However, we have reported to the District's Board of Directors other matters regarding internal controls in a separate letter to management dated December 18, 2023.

This report is intended solely for the information and use of the Board of Directors and management of Hood River County Transportation District and the Oregon Secretary of State and is not intended to be, and should not be, used by anyone other than these parties.



For RTO & Company
The Dalles, OR 97058
December 18, 2023