

LANE REGIONAL AIR PROTECTION AGENCY
FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023
WITH
INDEPENDENT AUDITOR'S REPORT

LANE REGIONAL AIR PROTECTION AGENCY

For the Year Ended June 30, 2023

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LANE REGIONAL AIR PROTECTION AGENCY

For The Year Ended June 30, 2023

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INTRODUCTORY SECTION

LANE REGIONAL AIR PROTECTION AGENCY

List of Appointed Officials

As of June 30, 2023

APPOINTED OFFICIALS

Bryan Cutchen	Chair
Howard Saxion	Vice Chair
Matt Keating	Director
Dylan Plummer	Director
Michael Johnston	Director
Joe Pishioneri	Director
Jared Hensley	Director
Mike Fleck	Director
David Loveall	Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lane Regional Air Protection Agency
Springfield, OR

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Lane Regional Air Protection Agency ("LRAPA") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of LRAPA as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of LRAPA as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 LRAPA 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.
- 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 LRAPA'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 LRAPA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison for the General, Title V, and TAG funds be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LRAPA's basic financial statements. The information contained in the budgetary schedules referred to above is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparisons are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LRAPA's basic financial statements. The accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual for the Airmetrics fund and the 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 Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual for the Airmetrics fund 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Organizational Chart and List of Appointed Officials 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023, on our consideration of LRAPA'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 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 LRAPA'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 LRAPA's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 29, 2023 on our consideration of LRAPA's 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.

ISLER CPA



by: Gatlin Hawkins, CPA, a member of the firm
Eugene, Oregon
December 29, 2023

Management's Discussion and Analysis

As management of Lane Regional Air Protection Agency ("LRAPA"), we offer readers of LRAPA's financial statements this narrative overview and analysis of the financial activities of LRAPA for the fiscal year ended June 30, 2023. All amounts are stated in thousands unless otherwise indicated.

Financial Highlights

- Assets exceeded liabilities at the close of the fiscal year by \$4.0 million and of this amount; \$3.4 million (*unrestricted* net position) may be used to meet LRAPA's ongoing obligations to citizens and creditors.
- LRAPA's total net position increased by \$143 thousand. This increase is attributable to governmental activities increasing net position by \$209 thousand and business-type activities decreasing net position by \$66 thousand.
- As of the close of the fiscal year, LRAPA's governmental funds reported a combined ending fund balance of \$2.4 million, an increase of \$162 thousand. Of this total, \$2.4 million is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance in the General Fund was \$2.4 million, or approximately 91% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to LRAPA's basic financial statements. LRAPA's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide financial statements The *government-wide financial statements* are designed to provide readers with a broad view of LRAPA's finances, in a manner similar to a private-sector business.

The *balance sheet* presents information on all of LRAPA's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of LRAPA is improving or deteriorating.

The *statement of activities* presents information showing how LRAPA's net position changed during the most recent 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*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of LRAPA that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of LRAPA are related to air pollution control. Business-type activity of LRAPA include the sale of portable air quality sampling units.

Fund financial statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. LRAPA, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of LRAPA can be divided into two categories: governmental funds and proprietary funds.

Governmental funds *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

LRAPA maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for both of these funds.

LRAPA adopts an annual budget for its governmental funds. Budgetary comparisons have been provided for the governmental funds to demonstrate compliance with the budget.

Proprietary funds LRAPA has one proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. LRAPA uses the Airmetrics enterprise fund to account for the sales of air quality sampling units.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. LRAPA's assets exceeded liabilities by \$4.0 million at the close of the most recent fiscal year.

Of LRAPA's net position, 15% reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) net of depreciation; less any related debt used to acquire those assets that is still outstanding. LRAPA uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Lane Regional Air Protection Agency's Net Position, in thousands

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 2,507	\$ 2,306	\$ 1,163	\$ 1,213	\$ 3,670	\$ 3,519
Capital assets	543	499	45	54	588	553
Total assets	<u>3,050</u>	<u>2,805</u>	<u>1,208</u>	<u>1,267</u>	<u>4,258</u>	<u>4,072</u>
Current liabilities	63	12	10	1	73	13
Long-term liabilities outstanding	153	168	12	13	165	181
Total liabilities	<u>216</u>	<u>180</u>	<u>22</u>	<u>14</u>	<u>238</u>	<u>194</u>
Net position						
Net investment in capital assets	543	499	45	54	588	553
Restricted	54	104	-	-	54	103
Unrestricted	<u>2,238</u>	<u>2,023</u>	<u>1,141</u>	<u>1,198</u>	<u>3,379</u>	<u>3,222</u>
Total net position	<u>\$ 2,835</u>	<u>\$ 2,626</u>	<u>\$ 1,186</u>	<u>\$ 1,252</u>	<u>\$ 4,021</u>	<u>\$ 3,878</u>

An additional portion of LRAPA's net position, 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$3.4 million and may be used to meet LRAPA's ongoing obligations to citizens and creditors.

LRAPA's net position increased by \$143 thousand during the current fiscal year; this increase is due primarily to fees and grants related to air quality management exceeding related expenditures.

Lane Regional Air Protection Agency's Changes in Net Position, in thousands

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 1,924	\$ 1,677	\$ 441	\$ 446	\$ 2,365	\$ 2,123
Operating grants and contributions	2,188	1,901	-	-	2,188	1,901
Total revenues	4,112	3,578	441	446	4,553	4,024
Expenses:						
Air quality control	3,929	3,430	-	-	3,929	3,430
Portable sampler sales	-	-	481	509	481	509
Total expenses	3,929	3,430	481	509	4,410	3,939
Change in net position before transfers	183	148	(40)	(63)	143	85
Transfers	26	26	(26)	(26)	-	-
Increase (decrease) in net position	209	174	(66)	(89)	143	85
Net position beginning of the year	2,626	2,452	1,252	1,341	3,878	3,793
Net position end of the year	\$ 2,835	\$ 2,626	\$ 1,186	\$ 1,252	\$ 4,021	\$ 3,878

Financial Analysis of the Government's Funds

As noted earlier, LRAPA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds The focus of LRAPA's *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing LRAPA's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, LRAPA's governmental funds reported combined ending fund balances of \$2.4 million, an increase of \$162 thousand over the prior year; \$2.4 million of the total amount constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of LRAPA. At the end of the current fiscal year, total fund balance was \$2.4 million, the majority of which is unassigned, the fund balance of LRAPA's General Fund increased by \$211 thousand during the current fiscal year.

General Fund Budgetary Highlights

There were no significant differences between the original budget and the final budget and the differentials were within the acceptable target numbers.

Capital Assets and Debt Administration

Capital assets LRAPA's investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounts to \$588 thousand (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, and equipment.

Capital assets at June 30, 2023 included the following:

Lane Regional Air Protection Agency Capital Assets, in thousands (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 133	\$ 100	\$ -	\$ -	\$ 133	\$ 100
Buildings and improvements	244	260	-	-	244	260
Vehicles	9	11	-	-	9	11
Equipment	157	129	45	54	202	183
	<u>\$ 543</u>	<u>\$ 500</u>	<u>\$ 45</u>	<u>\$ 54</u>	<u>\$ 588</u>	<u>\$ 554</u>

Additional information on LRAPA's capital assets can be found in Note III C of this report.

Economic Factors and Next Year's Budgets and Rates

Sales in LRAPA's Airmetrics enterprise program are projected to remain stable during fiscal year 2023-2024. In the 2023-2024 budget, there is a significant increase for the Targeted Airshed Grant (TAG) revenues and expenditures.

Request for Information

This financial report is designed to provide a general overview of LRAPA's finances for all or those interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance/HR Manager at Lane Regional Air Protection Agency, Susannah Sbragia, ssbragia@lrapa.org.

LANE REGIONAL AIR PROTECTION AGENCY

Statement of Net Position

June 30, 2023

	Governmental Activities	Business-Type Activity	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,754,799	\$ 1,487,016	\$ 3,241,815
Accounts receivable	236,457	56,109	292,566
Inventories	-	116,037	116,037
Prepays	20,922	-	20,922
Internal balances	495,844	(495,844)	-
Noncurrent assets:			
Non-depreciable capital assets	132,516	-	132,516
Depreciable capital assets (net of accumulated depreciation)	410,003	44,979	454,982
Total assets	3,050,541	1,208,297	4,258,838
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	\$ 62,975	\$ 10,391	\$ 73,366
Noncurrent liabilities:			
Due within one year:			
Compensated absences	137,289	10,607	147,896
Due in more than one year:			
Compensated absences	15,254	1,178	16,432
Total liabilities	215,518	22,176	237,694
NET POSITION			
Investment in capital assets	542,519	44,979	587,498
Restricted for Title V	54,277	-	54,277
Unrestricted	2,238,227	1,141,142	3,379,369
Total net position	\$ 2,835,023	\$ 1,186,121	\$ 4,021,144

The notes to the financial statements are an integral part of this statement.

LANE REGIONAL AIR PROTECTION AGENCY

Statement of Activities

For the Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	
Governmental activities:						
Air quality control	\$ 3,928,891	\$ 1,924,336	\$ 2,188,460	\$ 183,905	\$ -	\$ 183,905
Business-type activities:						
Portable air-sampling devices and services	<u>481,919</u>	<u>441,295</u>	<u>-</u>	<u>-</u>	<u>(40,624)</u>	<u>(40,624)</u>
Total activities	<u>\$ 4,410,810</u>	<u>\$ 2,365,631</u>	<u>\$ 2,188,460</u>	183,905	(40,624)	143,281
Transfers				<u>25,500</u>	<u>(25,500)</u>	<u>-</u>
Change in net position				209,405	(66,124)	143,281
Net position - beginning				<u>2,625,618</u>	<u>1,252,245</u>	<u>3,877,863</u>
Net position - ending				<u>\$ 2,835,023</u>	<u>\$ 1,186,121</u>	<u>\$ 4,021,144</u>

The notes to the financial statements are an integral part of this statement.

LANE REGIONAL AIR PROTECTION AGENCY

Balance Sheet

Governmental Funds

June 30, 2023

	General	Title V	TAG	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,754,799	\$ -	\$ -	\$ 1,754,799
Accounts receivable	236,457	-	-	236,457
Due from other funds	495,844	54,277	-	550,121
Prepaid expenses	20,922	-	-	20,922
Total assets	\$ 2,508,022	\$ 54,277	\$ -	\$ 2,562,299
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 62,975	\$ -	\$ -	\$ 62,975
Due to other funds	54,277	-	-	54,277
Total liabilities	117,252	-	-	117,252
Fund balances:				
Nonspendable prepaids	20,922	-	-	20,922
Restricted by Title V	-	54,277	-	54,277
Unassigned	2,369,848	-	-	2,369,848
Total fund balances	2,390,770	54,277	-	2,445,047
Total liabilities and fund balances	\$ 2,508,022	\$ 54,277	\$ -	\$ 2,562,299

The notes to the financial statements are an integral part of this statement.

LANE REGIONAL AIR PROTECTION AGENCY

Reconciliation of the Balance Sheet of Governmental Funds to the Government-Wide Balance Sheet

June 30, 2023

Fund Balances - Governmental Funds \$ 2,445,047

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:

Governmental capital assets	1,432,334	
Less accumulated depreciation	<u>(889,815)</u>	
		542,519

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(152,543)
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Net position of governmental activities	<u><u>\$ 2,835,023</u></u>
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The notes to the financial statements are an integral part of this statement.

LANE REGIONAL AIR PROTECTION AGENCY

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2023

	General	Title V	TAG	Total Governmental Funds
REVENUES				
Grants	\$ 1,076,605	\$ -	\$ 916,744	\$ 1,993,349
Fees	1,391,640	424,247	-	1,815,887
Local dues	195,111	-	-	195,111
Miscellaneous revenue	108,449	-	-	108,449
Total revenues	2,771,805	424,247	916,744	4,112,796
EXPENDITURES				
Air quality control	2,601,180	458,757	916,744	3,976,681
Excess (deficiency) of revenues over (under) expenditures	170,625	(34,510)	-	136,115
OTHER FINANCING SOURCES (USES)				
Transfers in	40,500	-	-	40,500
Transfers out	-	(15,000)	-	(15,000)
Total other financing sources (uses)	40,500	(15,000)	-	25,500
Net change in fund balances	211,125	(49,510)	-	161,615
Fund balances - beginning	2,179,645	103,787	-	2,283,432
Fund balances - ending	\$ 2,390,770	\$ 54,277	\$ -	\$ 2,445,047

The notes to the financial statements are an integral part of this statement.

LANE REGIONAL AIR PROTECTION AGENCY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$	161,615
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated, over their estimated useful lives reported as depreciation expense:		
Capital outlay	101,600	
Depreciation	<u>(58,422)</u>	
		43,178
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds:		
Change in Compensated absences		4,612
Change in net position of governmental activities	<u>\$</u>	<u>209,405</u>

The notes to the financial statements are an integral part of this statement.

LANE REGIONAL AIR PROTECTION AGENCY

Statement of Net Position

Proprietary Funds

June 30, 2023

		Business-Type Activity - Enterprise Fund Airmetrics
ASSETS		
Current assets:		
Cash and cash equivalents	\$	1,487,016
Receivables, net		56,109
Inventories		116,037
Total current assets		1,659,162
Noncurrent assets:		
Capital assets:		
Depreciable assets		107,631
Less accumulated depreciation		(62,652)
Total noncurrent assets		44,979
Total assets		1,704,141
LIABILITIES		
Current liabilities:		
Accounts payable	\$	10,391
Due to other funds		495,844
Total current assets		506,235
Noncurrent liabilities:		
Compensated absences due within one year		10,607
Compensated absences due in more than one year		1,178
Total noncurrent liabilities		11,785
Total liabilities		518,020
NET POSITION		
Invested in capital assets		44,979
Unrestricted		1,141,142
Total net position	\$	1,186,121

The notes to the financial statements are an integral part of this statement.

LANE REGIONAL AIR PROTECTION AGENCY

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

Proprietary Funds

For the Year Ended June 30, 2023

	<u>Business-Type Activity - Enterprise Fund Airmetrics</u>
Operating revenues:	
Charges for services	\$ 422,706
Other revenue	<u>18,589</u>
Total operating revenues	<u>441,295</u>
Operating expenses:	
Personal services	152,686
Materials and services	319,779
Depreciation	<u>9,454</u>
Total operating expenses	<u>481,919</u>
Operating income (loss)	(40,624)
Transfers Out	<u>(25,500)</u>
Change in net position	(66,124)
Net position - beginning	<u>1,252,245</u>
Net position - ending	<u><u>\$ 1,186,121</u></u>

The notes to the financial statements are an integral part of this statement.

LANE REGIONAL AIR PROTECTION AGENCY

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2023

	Airmetrics
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 431,888
Payments to suppliers	(325,031)
Payments to employees	(153,207)
Net cash provided (used) by operating activities	(46,350)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer (to) from other funds	(25,500)
Change in due to/from other funds	210,844
Net cash used by noncapital financing activities	185,344
Net change in cash and cash equivalents	138,994
Cash and cash equivalents - beginning	1,348,022
Cash and cash equivalents - ending	\$ 1,487,016
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ (40,624)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	9,454
Changes in:	
Accounts receivable	(8,057)
Inventories	(14,848)
Unearned revenue	(1,350)
Accounts payable and other current liabilities	9,596
Compensated absences	(521)
Total adjustments	(5,726)
Net cash provided (used) by operating activities	\$ (46,350)

The notes to the financial statements are an integral part of this statement.

LANE REGIONAL AIR PROTECTION AGENCY

Notes to the Financial Statements

June 30, 2023

Note I - Summary of significant accounting policies

A. Nature of business

The Lane Regional Air Protection Agency ("LRAPA") was formed under the predecessor sections to Oregon Revised Statutes (ORS) 468A.100 through 468A.180. Its purpose is to control air quality by establishing standards for the promotion of the purity of air and to promulgate and enforce uniform ordinances and regulations in Lane County, Oregon.

B. Reporting entity

LRAPA is a municipal corporation governed by a nine-member board of directors. The board members are appointed by their respective city mayors and the Lane County Board of Commissioners. Board membership includes four representatives from the City of Eugene, two from the City of Springfield and one each from Lane County, the City of Cottage Grove and the City of Oakridge.

LRAPA is considered a primary government and is not a component unit of another entity, nor are there any component units for which LRAPA is financially accountable.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and *available*. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LRAPA considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

LRAPA reports the following major governmental funds:

The *General Fund* is LRAPA's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are grants, permit fees, and local dues. Primary expenditures are for air quality control.

The *Title V Fund* accounts for the costs associated with issuing federally-required air pollution permits to large facilities operating within Lane County, Oregon. The primary source of revenue is from permit fees. The use of the permit fees is restricted by the United States Code.

The *TAG Fund* accounts for The Targeted Airshed Grant Funds contracts.

LRAPA reports the following major proprietary funds:

The *Airmetrics Fund* accounts for LRAPA's costs to manufacture and market portable air-sampling devices and services. Sales of the equipment are the fund's primary revenue source.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

LANE REGIONAL AIR PROTECTION AGENCY

Notes to the Financial Statements

June 30, 2023

Note I - Summary of significant accounting policies, continued

C. Measurement focus, basis of accounting, and financial statement presentation, continued

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

LRAPA's policy is to use restricted net position first when both restricted and unrestricted net position are available. For fund balance, it is LRAPA's policy to use restricted resources first, followed by committed, assigned, and unassigned resources, in that order.

D. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net position or equity

1. Cash and cash equivalents

LRAPA's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments in the State of Oregon Treasury Department's Local Government Investment Pool (LGIP).

State statutes authorize LRAPA to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, municipal bonds, banker's acceptances, repurchase agreements and the LGIP.

2. Receivables and payables

Receivables that meet the measurable and available criteria for revenue recognition are accrued as revenue in the governmental funds financial statements. Receivables in the government-wide and proprietary fund financial statements are accrued as revenue when earned. In governmental funds any revenues not meeting the revenue recognition criteria are offset by unearned revenue accounts. Receivables are stated net of any allowance for uncollectibles.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

3. Inventories and prepaid items

Inventories in the proprietary fund are at valued average cost and are charged to operating expense when sold or used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

LANE REGIONAL AIR PROTECTION AGENCY

Notes to the Financial Statements

June 30, 2023

Note I - Summary of significant accounting policies, continued

E. Assets, liabilities, and net position or equity, continued

4. Capital assets

Capital assets, which include land, buildings and improvements, vehicles, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by LRAPA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the donor's cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Building and improvements	10 - 40
Vehicles	10
Equipment	5 - 10

5. Compensated absences

It is LRAPA's policy to permit employees to accumulate earned but unused paid time off. All paid time off is accrued when incurred in the government-wide and proprietary financial statements up to the maximum hours allowed based on number of years of service. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Compensated absences are liquidated by the funds which incur the liability, such funds include the General, Title V, TAG and Airmetrics funds.

6. Retirement plan

LRAPA sponsors a defined contribution pension plan. Contributions are based on a percentage of eligible employee's wages, and it is the policy of LRAPA to fund contributions by monthly deposits. Plan assets, which are held by an insurance company under a policy providing for individual participant accounts, are not a part of the reporting entity of LRAPA.

LANE REGIONAL AIR PROTECTION AGENCY

Notes to the Financial Statements

June 30, 2023

Note I - Summary of significant accounting policies, continued

E. Assets, liabilities, and net position or equity, continued

7. Fund balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The fund balance classifications are:

Nonspendable - resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for sale.

Restricted - constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - the Board passes an ordinance that places specific constraints on how the resources may be used. The Board can modify or rescind the ordinance at any time through passage of an additional ordinance.

Assigned - resources that are constrained by the Board's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the board of directors approves which resources should be "reserved" during the adoption of the annual budget.

Unassigned - resources that have not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

8. Grants

Grants are recognized as revenue in the accounting period in which they become both measurable and available and in which all eligibility requirements have been met. When expenditure is the primary factor for determining eligibility, the revenue is recognized when the expenditure is made. Cash received from grantor agencies in excess of related grant expenditures is recorded as unearned revenue on the balance sheet.

Note II - Stewardship, compliance, and accountability

A. Budgetary information

Budgets are prepared and adopted, and expenditures are appropriated, in accordance with Oregon Local Budget Law. LRAPA is required by law to budget all funds. The budgetary level of control is by total personal services, materials and services, capital outlay, debt service, and contingency for each fund. Expenditures may not legally exceed the adopted level of detail and all annual appropriations lapse at year end.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publications in newspapers, and adoption by the Board of Directors. The Board of Directors can also authorize transfers of appropriations between existing expenditure categories. Budget amounts shown in the financial statements represent the budget as finally revised by the Board of Directors.

LANE REGIONAL AIR PROTECTION AGENCY

Notes to the Financial Statements

June 30, 2023

Note II - Stewardship, compliance, and accountability, continued

A. Budgetary information, continued

Budgets are also prepared for the proprietary fund on the same basis of accounting as used by the governmental funds; this differs from the accrual basis required by generally accepted accounting principles as follows:

- Land, building, and equipment purchases are budgeted as an expenditure in the year of acquisition.
- No depreciation is budgeted.
- Loan proceeds are budgeted as a resource.
- Principal paid on loans is budgeted as an expenditure in the year paid.
- Interest is not budgeted as an expenditure until the debt payment becomes due.

Note III - Detailed notes on all funds

A. Cash and cash equivalents

As of June 30, 2023, LRAPA's cash and cash equivalents was reported as follows:

Cash on hand	\$	100
Deposits in financial institutions		902,814
Investment in LGIP		<u>2,338,901</u>
Total	\$	<u>3,241,815</u>

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

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

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

At June 30, 2023, LRAPA's total deposits in financial institutions, per the bank statements, was \$1,164,233.

LANE REGIONAL AIR PROTECTION AGENCY

Notes to the Financial Statements

June 30, 2023

Note III - Detailed notes on all funds, continued

B. Receivables

At June 30, 2023, receivables in the General Fund consisted of due from other governmental agencies and permit fees receivable. These receivables have historically been fully collected, thus no allowance for doubtful accounts has been established.

Receivables in the proprietary fund consisted of portable sampler sales and part sales for portable samplers. Portable samplers are sold to other governments and private industry throughout the United States and internationally. Receivables from such sales are unsecured. Management believes that the amount of uncollectible receivables is immaterial. Therefore, no provision for uncollectible receivables has been recorded.

C. Capital assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in progress	-	32,516	-	32,516
Total capital assets, not being depreciated	<u>100,000</u>	<u>32,516</u>	<u>-</u>	<u>132,516</u>
Capital assets, being depreciated:				
Building and improvements	623,748	-	-	623,748
Vehicles	48,688	-	(20,001)	28,687
Equipment	664,874	69,085	(86,576)	647,383
Total capital assets being depreciated	<u>1,337,310</u>	<u>69,085</u>	<u>(106,577)</u>	<u>1,299,818</u>
Less accumulated depreciation for:				
Building and improvements	(363,698)	(16,709)	-	(380,407)
Vehicles	(37,211)	(2,869)	20,001	(20,079)
Equipment	(537,061)	(38,844)	86,576	(489,329)
Total accumulated depreciation	<u>(937,970)</u>	<u>(58,422)</u>	<u>106,577</u>	<u>(889,815)</u>
Total capital assets, being depreciated, net	<u>399,340</u>	<u>10,663</u>	<u>-</u>	<u>410,003</u>
Governmental activities capital assets, net	<u>\$ 499,340</u>	<u>\$ 43,179</u>	<u>\$ -</u>	<u>\$ 542,519</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Equipment and vehicles	\$ 107,631	\$ -	\$ -	\$ 107,631
Less accumulated depreciation for:				
Equipment and vehicles	(53,198)	(9,454)	-	(62,652)
Business-type activities capital assets, net	<u>\$ 54,433</u>	<u>\$ (9,454)</u>	<u>\$ -</u>	<u>\$ 44,979</u>

LANE REGIONAL AIR PROTECTION AGENCY

Notes to the Financial Statements

June 30, 2023

Note III - Detailed notes on all funds, continued

C. Capital assets, continued

Depreciation expense was charged to functions/programs of LRAPA as follows:

Governmental activities:		
Air quality control	\$	58,422
Business-type activities:		
Portable air sampling devices and services	\$	9,454

D. Interfund receivables, payables, and transfers

Due to/from other funds:

Interfund receivables and payables are part of ongoing operations and track expenditures made by one fund on behalf of another and the amount due to the fund for reimbursement of these expenditures. Interfund receivables for Title V represents pooled cash held and payable by the General Fund. As of June 30, 2023, the interfund receivables and payables were as follows:

	Due to			
<u>Due from</u>	<u>General Fund</u>	<u>Title V Fund</u>	<u>TAG</u>	<u>Total</u>
General Fund	\$ -	\$ 54,277	\$ -	\$ 54,277
Airmetrics Fund	495,844	-	-	495,844
Total	\$ 495,844	\$ 54,277	\$ -	\$ 550,121

Transfers to/from other funds:

During the year ending June 30, 2023 LRAPA made the following transfers:

	<u>Transfers in</u>
<u>Transfers out</u>	<u>General Fund</u>
Title V Fund	\$ 15,000
Airmetrics Fund	25,500
Total	\$ 40,500

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and from various funds to the General Fund to reimburse for administrative expenditures.

E. Compensated absences

Changes in compensated absences

Activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 157,155	\$ 152,543	\$ (157,155)	\$ 152,543	\$ 137,289
Business-type activities:					
Compensated absences	\$ 12,306	\$ 11,785	\$ (12,306)	\$ 11,785	\$ 10,607

LANE REGIONAL AIR PROTECTION AGENCY

Notes to the Financial Statements

June 30, 2023

Note IV - Other information

A. Employee benefit plans

Deferred Compensation Plan

LRAPA offers a deferred compensation plan to all of its employees, in accordance with Internal Revenue Code Section 457. Employees may elect to defer a portion of their compensation until future years. The deferred compensation is not available to individuals until termination, death, or unforeseeable emergency.

Defined Contribution Pension Plan

LRAPA sponsors a money purchase (401k) pension plan for substantially all employees who have completed at least 1,000 hours and one year of service are eligible for plan participation per year. The plan requirements are established or may be amended by LRAPA. LRAPA's required contribution to the plan is 8% of eligible wages of \$1,384,165. LRAPA's contribution to the plan was \$111,612 for the year. Employees are required to contribute an additional 6%, subject to certain limitations. Total employee contributions for the year were \$81,347. Total payroll for all employees was \$1,733,041 for the year ended June 30, 2023. Retirement contributions are invested by VOYA Financial.

LRAPA is required to make monthly contributions under the plan. Retirement benefits are provided from the individual participants' accounts, in which employees vest at various annual percentages for five years until they are fully vested.

Pension Plan

In October 2022 LRAPA joined the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. Oregon PERS reports on a June 30 fiscal year; liabilities on the June 30, 2022 report reportable by participants during their 2023 fiscal year were not allocated to LRAPA. Due to this change LRAPA will be reporting a deferred outflow of resources, a net pension liability, and a deferred inflow of resources on its statement of Net Position beginning for the year ended June 30, 2024. The 401(k) plan remains for employees who elected to not join OPERS.

B. Risk management

LRAPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. LRAPA is a member of the City-County Insurance Services Trust ("Trust"), and pays an annual premium to the Trust. Under the membership agreement with the Trust, the Trust is to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years. There has been no reduction of coverage from the prior year.

LRAPA purchases workers' compensation insurance from a commercial carrier. Premiums are determined based on payroll paid at various employment classification rates.

C. Contingent liabilities

LRAPA receives revenues from other governmental agencies. Amounts, if any, determined to be overpaid or disallowed must be refunded or credited to the paying agencies. Management believes that such amounts, if any, would be insignificant.

LANE REGIONAL AIR PROTECTION AGENCY

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Grants	\$ 1,078,514	\$ 1,078,514	\$ 1,076,605	\$ (1,909)
Permits and fees	1,227,964	1,227,964	1,391,640	163,676
Local dues	195,111	195,111	195,111	-
Miscellaneous revenue	<u>18,000</u>	<u>18,000</u>	<u>108,449</u>	<u>90,449</u>
Total revenues	<u>2,519,589</u>	<u>2,519,589</u>	<u>2,771,805</u>	<u>252,216</u>
Expenditures:				
Current:				
Personal services	1,786,980	1,786,980	1,778,772	8,208
Materials and services	756,730	756,730	720,807	35,923
Capital outlay	160,000	160,000	101,601	58,399
Contingency	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total expenditures	<u>2,803,710</u>	<u>2,803,710</u>	<u>2,601,180</u>	<u>202,530</u>
Excess (deficiency) of revenues over expenditures	(284,121)	(284,121)	170,625	(454,746)
Other financing sources (uses):				
Transfers in	<u>40,500</u>	<u>40,500</u>	<u>40,500</u>	<u>-</u>
Net change in fund balances	(243,621)	(243,621)	211,125	454,746
Fund Balances:				
Beginning of year	<u>2,221,896</u>	<u>2,221,896</u>	<u>2,179,645</u>	<u>(42,251)</u>
End of year	<u>\$ 1,978,275</u>	<u>\$ 1,978,275</u>	<u>\$ 2,390,770</u>	<u>\$ 412,495</u>

LANE REGIONAL AIR PROTECTION AGENCY

TITLE V

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Fees	\$ 424,207	\$ 424,207	\$ 424,247	\$ 40
Expenditures:				
Current:				
Personal services	457,639	457,639	445,190	12,449
Materials and services	<u>16,870</u>	<u>16,870</u>	<u>13,567</u>	<u>3,303</u>
Total expenditures	<u>474,509</u>	<u>474,509</u>	<u>458,757</u>	<u>15,752</u>
Excess (deficiency) of revenues under expenditures	(50,302)	(50,302)	(34,510)	15,792
Other financing sources (uses):				
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balances	(65,302)	(65,302)	(49,510)	15,792
Fund Balances:				
Beginning of year	<u>206,819</u>	<u>206,819</u>	<u>103,787</u>	<u>(103,032)</u>
End of year	<u>\$ 141,517</u>	<u>\$ 141,517</u>	<u>\$ 54,277</u>	<u>\$ (87,240)</u>

LANE REGIONAL AIR PROTECTION AGENCY

TAG

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Grants	\$ 1,399,568	\$ 1,399,568	\$ 916,744	\$ (482,824)
Expenditures:				
Personal services	72,360	72,360	56,671	15,689
Materials and services	1,327,208	1,327,208	860,073	467,135
Total expenditures	1,399,568	1,399,568	916,744	482,824
Fund Balance:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

LANE REGIONAL AIR PROTECTION AGENCY

AIRMETRICS

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Charges for services	\$ 571,592	\$ 571,592	\$ 422,706	\$ (148,886)
Other revenue	23,289	23,289	18,589	(4,700)
Total revenues	594,881	594,881	441,295	(153,586)
Expenditures:				
Personal services	160,870	160,870	153,207	7,663
Materials and services	450,495	450,495	319,779	130,716
Capital outlay	20,000	20,000	-	20,000
Contingency	10,000	10,000	-	10,000
Total expenditures	641,365	641,365	472,986	168,379
Excess revenues expenditures	(46,484)	(46,484)	(31,691)	14,793
Other financing sources (uses):				
Transfers Out	(25,500)	(25,500)	(25,500)	-
Net change in fund balances	(71,984)	(71,984)	(57,191)	14,793
Fund Balance:				
Beginning of year	1,249,100	1,249,100	1,210,118	(38,982)
End of year	\$ 1,177,116	\$ 1,177,116	1,152,927	\$ 24,189
Reconciliation to full accrual basis:				
Capital assets			44,979	
Compensated absences			(11,785)	
GAAP net position - end of year			\$ 1,186,121	



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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Board of Directors
Lane Regional Air Protection Agency
Springfield, Oregon

We have audited the basic financial statements of the Lane Regional Air Protection Agency ("LRAPA") as of and for the year ended June 30, 2023, and have issued our report thereon dated December 29, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether LRAPA's basic financial statements are free from material misstatement, we performed tests of LRAPA's compliance with certain provisions of laws, regulations, contracts and grants including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 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)**
- **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 Chapter 294)**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**

In connection with our testing nothing came to our attention that caused us to believe LRAPA 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 Corporation

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered LRAPA'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 LRAPA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LRAPA's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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 identified deficiencies in internal control over financial reporting that we consider to be material weaknesses and deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as described in the AU Section 325 written communication.

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

This report is intended solely for the information of the board of directors, management, and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

ISLER CPA



by: Gatlin Hawkins, CPA, a member of the firm
Eugene, Oregon
December 29, 2023



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

Board of Directors
Lane Regional Air Protection Agency

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

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 business-type activities, each major fund, and the aggregate remaining fund information of Lane Regional Air Protection Agency as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lane Regional Air Protection Agency's basic financial statements, and have issued our report thereon dated December 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lane Regional Air Protection Agency'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lane Regional Air Protection Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Lane Regional Air Protection Agency'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-01 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 2023-02 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lane Regional Air Protection Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lane Regional Air Protection Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Lane Regional Air Protection Agency's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Lane Regional Air Protection Agency'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.

Isler CPA



By: Gatlin Hawkins, CPA, a member of the firm
Eugene, Oregon
December 29, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Lane Regional Air Protection Agency

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
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Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Lane Regional Air Protection Agency with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lane Regional Air Protection Agency's major federal programs for the year ended June 30, 2023. Lane Regional Air Protection Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. major federal programs for the year ended.

In our opinion, Lane Regional Air Protection Agency 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 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 Lane Regional Air Protection Agency'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 Lane Regional Air Protection Agency'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 Lane Regional Air Protection Agency'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 Lane Regional Air Protection Agency'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 Lane Regional Air Protection Agency'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 Lane Regional Air Protection Agency'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 Lane Regional Air Protection Agency'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

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 a 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Isler CPA



By: Gatlin Hawkins, CPA, a member of the firm
Eugene, Oregon
December 29, 2023

LANE REGIONAL AIR PROTECTION AGENCY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) that are not considered to be material weaknesses?	Yes
• Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance	No

Identification of Major Federal Award Programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Targeted Airshed Grant Program	66.956
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

LANE REGIONAL AIR PROTECTION AGENCY
Schedule of Findings and Questioned Costs, continued

Year Ended June 30, 2023

Section II – Financial Statement Findings

Finding: 2023-01

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal control over financial reporting

Severity: Material Weakness

Criteria: Internal controls should be designed and implemented to prevent or detect and correct potential material misstatements in recorded expenditures and expenses.

Condition: Sage accounting system login credentials were not unique to all users of the system.

Cause: Additional staff added to finance and changing responsibilities for tasks in the department.

Effect: Separation of duties cannot be verified solely from system permissions and system access restrictions by position cannot be set.

Recommendation: Each user of the new accounting system should have a unique login set up and appropriate permissions set based on required duties.

Response: LRAPA has moved from Sage to Caselle. The users within Caselle have all received unique logins and each of those logins have appropriate permissions assigned based on job duties.

Finding: 2023-02

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal control over financial reporting

Severity: Significant deficiency

Criteria: Internal controls should be designed and implemented to prevent or detect and correct potential material misstatements in recorded expenditures and expenses.

Condition: Accrued vacation liability was calculated based on total accrued hours in payroll system for each employee and not limited by accrued service years as outlined in the personnel manual.

Cause: Liability amounts taken directly from payroll system without limits being set within system or adjustments made manually during review.

Effect: Potential overstatement of liabilities and expenses on government wide financial statements. 2023 amounts were corrected by adjusting entry proposed by auditor. There is no effect on fiscal year expenditures or budgetary activity.

Recommendation: Calculation of year end vacation liability should be reviewed before posting and compared to LRAPA's approved policies.

Response: The organization went through a lot of upheaval in the fiscal year 2023. There were some problems maintaining our internal controls over the turnover within the organization. However, this should not be a problem in the future as Lane Regional Air Protection Agency's updated payroll system calculates payroll liability automatically. The calculation was built in accordance with Lane Regional Air Protection Agency policy. Additionally, Lane Regional Air Protection Agency has implemented an annual review with an external party to ensure that the organization remains in compliance with all, internal and external, rules and regulations within its accounting functions.

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Audit Findings

Finding: 2022-001/2022-002 - Internal control over compliance - documentation

Status: Corrected

LANE REGIONAL AIR PROTECTION AGENCY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Agency or Pass-Through Number	Expenditures	Amounts Provided to Subrecipients
Environmental Protection Agency:				
Direct programs:				
Air Pollution Control Program Support Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.001	A98055712	\$ 315,427	\$ 315,427
	66.034	014-20 TA01J66101	64,000	-
Targeted Airshed Grant Program	66.956	TA02J04301	<u>916,745</u>	<u>100,152</u>
Total Environmental Protection Agency			<u>\$ 1,296,172</u>	<u>\$ 415,579</u>

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lane Regional Air Protection Agency under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operation of Lane Regional Air Protection Agency, it is not intended to and does not present the financial position, changes in financial position, or cash flow for Lane Regional Air Protection Agency.

2. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles. Expenditures reported on this schedule are recognized following the cost principles in Title 2 US Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, where certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Lane Regional Air Protection Agency has not elected to use the 10% *de minimis* cost rate.



January 2, 2024

Oregon Secretary of State, Audits Division
255 Capitol St. NE
Suite #500
Salem, OR 97310

Lane Regional Air Protection Agency (LRAPA) has prepared the following response to deficiencies reported in our audit of fiscal year ending June 30, 2023. The audit was completed by the independent auditing firm Isler CPA and reported the deficiencies listed below. The organization implemented changes on July 1, 2023.

Corrective Actions

Finding: 2023-01, Internal control over financial reporting

Lane Regional Air Protection Agency believes that the organization has already corrected this item. LRAPA moved from Sage to Caselle on July 1, 2023. The users within Caselle have all received unique logins and each of those logins have appropriate permissions assigned based on job duties.

Finding: 2023-02, Internal control over financial reporting

Response: Lane Regional Air Protection Agency believes that it has already corrected this item. The organization went through a lot of upheaval in the fiscal year 2023. There were some problems maintaining our internal controls over the turnover within the organization. However, this should not be a problem in the future as Lane Regional Air Protection Agency's updated payroll system calculates payroll liability automatically. The calculation within the system was built in accordance with Lane Regional Air Protection Agency policy. Additionally, Lane Regional Air Protection Agency has implemented an annual review with an external party to ensure that the organization remains in compliance with all, internal and external, rules and regulations within its accounting functions to occur at the end of each fiscal year.

Anticipated Completion Date: The corrective actions were implemented as of July 1, 2023.

Sincerely,



Jenilee Easter, Finance Manager