

LANE REGIONAL AIR PROTECTION AGENCY
FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
WITH
INDEPENDENT AUDITOR'S REPORT

LANE REGIONAL AIR PROTECTION AGENCY

For the Year Ended June 30, 2018

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LANE REGIONAL AIR PROTECTION AGENCY

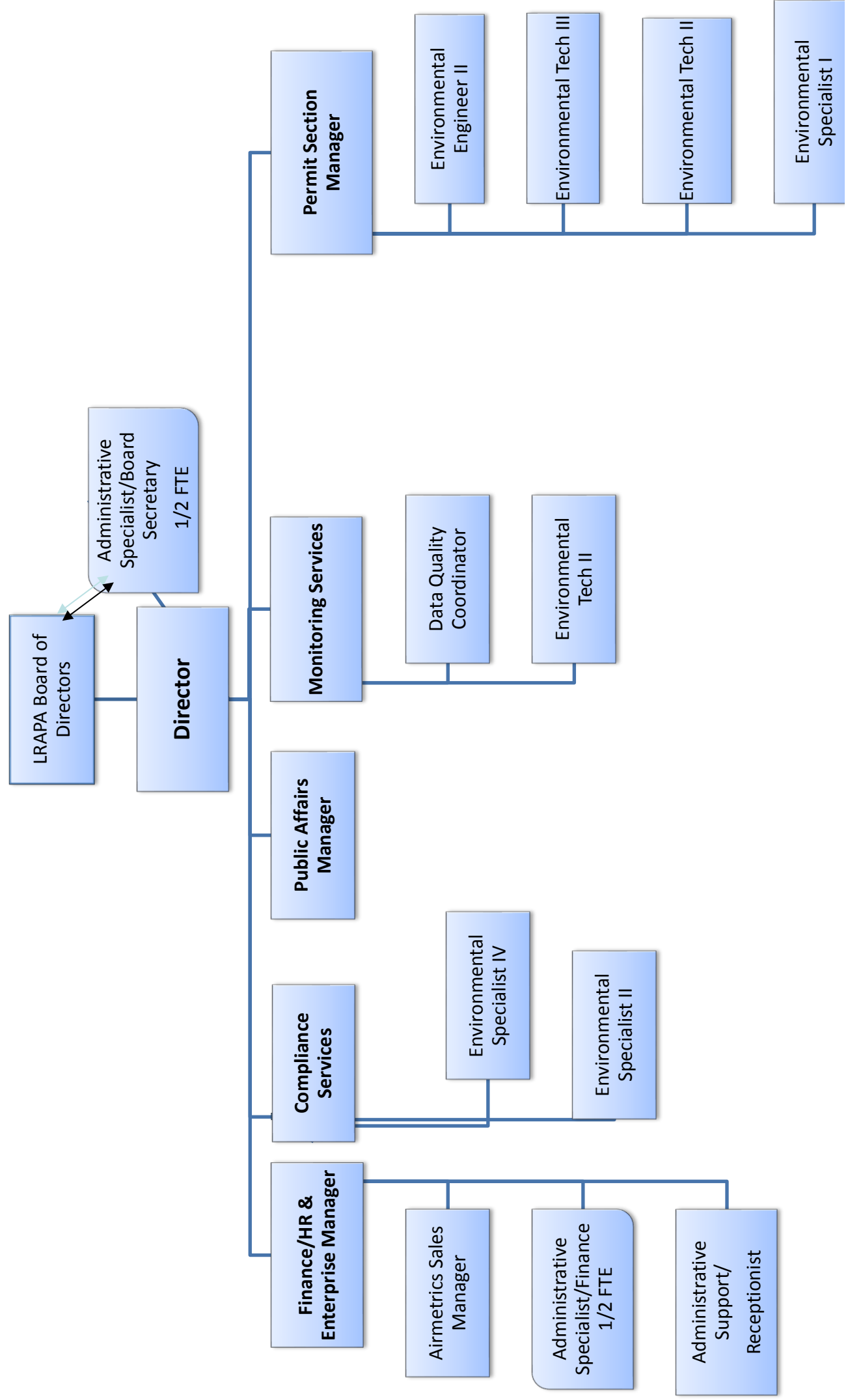
For The Year Ended June 30, 2018

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INTRODUCTORY SECTION

Lane Regional Air Protection Agency (LRAPA) Organization Chart



LANE REGIONAL AIR PROTECTION AGENCY

List of Appointed Officials

As of June 30, 2018

APPOINTED OFFICIALS

Jeannine Parisi	Chair
Jay Bozievich	Vice Chair
Jim Coey	Director
Mike Fleck	Director
Joe Gonzales	Director
Scott Lucas	Director
Sean VanGordon	Director
Betty Taylor	Director
Bill Carpenter	Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lane Regional Air Protection Agency
Springfield, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, and each major fund of Lane Regional Air Protection Agency ("LRAPA") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of LRAPA as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 activity and each major fund of LRAPA as of June 30, 2018, 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.

Other Matters

Required Supplementary Information

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

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

The budgetary comparison schedules for the General Fund and Title V fund have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LRAPA's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) Airmetrics Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Airmetrics fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated November 30, 2018 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: Paul Nielson, CPA, a member of the firm

Eugene, Oregon
November 30, 2018

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, 2018. All amounts are stated in thousands unless otherwise indicated.

Financial Highlights

- Assets exceeded liabilities at the close of the fiscal year by \$3.3 million and of this amount; \$2.2 million (*unrestricted* net position) may be used to meet LRAPA's ongoing obligations to citizens and creditors.
- LRAPA's total net position increased by \$149 thousand. This increase is attributable to governmental activities increasing net position by \$36 thousand and and business-type activities increasing net position by \$113 thousand.
- As of close of the fiscal year, LRAPA's governmental funds reported a combined ending fund balance of \$1.7 million, an increase of \$36. Of this total, \$1.2 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 \$1.2 million, or approximately 68% 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 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 two 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 \$3.3 million at the close of the most recent fiscal year.

A substantial portion of LRAPA's net position (20%) 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,804	\$ 1,768	\$ 1,055	\$ 949	\$ 2,859	\$ 2,717
Capital assets	616	615	50	41	666	656
Total assets	<u>2,420</u>	<u>2,383</u>	<u>1,105</u>	<u>990</u>	<u>3,525</u>	<u>3,373</u>
Long-term liabilities outstanding	109	107	21	7	130	114
Other liabilities	125	126	-	12	125	138
Total liabilities	<u>234</u>	<u>233</u>	<u>21</u>	<u>19</u>	<u>255</u>	<u>252</u>
Net position						
Net investment in capital assets	616	615	50	41	666	656
Restricted	415	491	-	-	415	491
Unrestricted	<u>1,155</u>	<u>1,044</u>	<u>1,034</u>	<u>930</u>	<u>2,189</u>	<u>1,974</u>
Total net position	<u>\$ 2,186</u>	<u>\$ 2,150</u>	<u>\$ 1,084</u>	<u>\$ 971</u>	<u>\$ 3,270</u>	<u>\$ 3,121</u>

An additional portion of LRAPA's net position (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$2.2 million and may be used to meet LRAPA's ongoing obligations to citizens and creditors.

LRAPA's net position increased by \$149 thousand during the current fiscal year; this increase represents the degree to which increases in revenues have exceeded similar increases in expenses.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,275	\$ 1,198	\$ 886	\$ 792	\$ 2,161	\$ 1,990
Operating grants and contributions	1,059	1,015	-	-	1,059	1,015
Total revenues	<u>2,334</u>	<u>2,213</u>	<u>886</u>	<u>792</u>	<u>3,220</u>	<u>3,005</u>
Expenses:						
Air quality control	2,324	2,173	-	-	2,324	2,173
Portable sampler sales	-	-	747	700	747	700
Total expenses	<u>2,324</u>	<u>2,173</u>	<u>747</u>	<u>700</u>	<u>3,071</u>	<u>2,873</u>
Increase in net position before transfers	10	40	139	92	149	132
Transfers	<u>26</u>	<u>25</u>	<u>(26)</u>	<u>(25)</u>	<u>-</u>	<u>-</u>
Increase in net position	36	65	113	67	149	132
Net position beginning of the year	<u>2,150</u>	<u>2,085</u>	<u>971</u>	<u>904</u>	<u>3,121</u>	<u>2,989</u>
Net position end of the year	<u>\$ 2,186</u>	<u>\$ 2,150</u>	<u>\$ 1,084</u>	<u>\$ 971</u>	<u>\$ 3,270</u>	<u>\$ 3,121</u>

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 LRAPAs 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 \$1.7 million, an increase of \$36 thousand over the prior year; \$1.2 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 \$1.3 million, the majority of which is unassigned, the fund balance of LRAPA's General Fund increased by \$113 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, 2018 amounts to \$666 thousand (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, and equipment.

Capital assets at June 30, 2018 included the following:

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 100	\$ 100	\$ -	\$ -	\$ 100	\$ 100
Buildings and improvements	304	319	-	-	304	319
Vehicles	26	30	-	-	26	30
Equipment	186	166	50	41	236	207
	<u>\$ 616</u>	<u>\$ 615</u>	<u>\$ 50</u>	<u>\$ 41</u>	<u>\$ 666</u>	<u>\$ 656</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 2018-2019. In the 2017-2018 budget, the contributions to the Trust Funds for unemployment, which is at a historical low rate of .001, remained unchanged. EPA's funding for the PM-2.5 network (for air monitoring stations) and for the Clean Air Act Section 105 ("Base Grant" for support of air pollution planning and control programs) will be sustained at the historical levels.

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 Nasser Mirhosseyni, nmirhosseyni@lrpa.org.

BASIC FINANCIAL STATEMENTS

LANE REGIONAL AIR PROTECTION AGENCY

Balance Sheet

June 30, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,598,950	\$ 897,565	\$ 2,496,515
Accounts receivables	106,997	126,955	233,952
Grants and contracts receivable	-	-	-
Inventories	-	78,915	78,915
Prepays	44,201	5,000	49,201
Internal balances	53,308	(53,308)	-
Noncurrent Assets			
Non-depreciable capital assets	100,000	-	100,000
Depreciable capital assets (net of accumulated depreciation)	516,254	49,779	566,033
Total assets	<u>\$ 2,419,710</u>	<u>\$ 1,104,906</u>	<u>\$ 3,524,616</u>
LIABILITIES			
Current Liabilities			
Accounts payable and other current liabilities	\$ 40,933	\$ 7,602	\$ 48,535
Unearned revenue	79,640	395	80,035
Due to Lane County	4,471	-	4,471
Noncurrent liabilities:			
Due within one year:			
Compensated absences	98,253	11,343	109,596
Due in more than one year:			
Compensated absences	10,917	1,260	12,177
Total liabilities	<u>234,214</u>	<u>20,600</u>	<u>254,814</u>
NET POSITION			
Investment in capital assets	616,254	49,779	666,033
Restricted for Title V	414,359	-	414,359
Unrestricted	1,154,883	1,034,527	2,189,410
Total net position	<u>2,185,496</u>	<u>1,084,306</u>	<u>3,269,802</u>
Total liabilities and net position	<u>\$ 2,419,710</u>	<u>\$ 1,104,906</u>	<u>\$ 3,524,616</u>

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, 2018

Functions / Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Air quality control	\$ 2,323,547	\$ 1,274,779	\$ 1,059,226	\$ 10,458	\$ -	\$ 10,458
Business-type activities:						
Portable air-sampling devices and services	747,031	885,391	-	-	138,360	138,360
Total activities	\$ 3,070,578	\$ 2,160,170	\$ 1,059,226	10,458	138,360	148,818
Transfers				25,500	(25,500)	-
Change in net position				35,958	112,860	148,818
Net position - beginning				2,149,538	971,446	3,120,984
Net position - ending				\$ 2,185,496	\$ 1,084,306	\$ 3,269,802

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

LANE REGIONAL AIR PROTECTION AGENCY

Balance Sheet
Governmental Funds
June 30, 2018

	General	Title V	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,598,950	\$ -	\$ 1,598,950
Accounts receivable	106,997	-	106,997
Due from other funds	53,308	414,359	467,667
Prepays	44,201	-	44,201
Total assets	\$ 1,803,456	\$ 414,359	\$ 2,217,815
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 40,933	\$ -	\$ 40,933
Due to other funds	414,359	-	414,359
Unearned revenue & fees	79,640	-	79,640
Due to Lane County	4,471	-	4,471
Total liabilities	539,403	-	539,403
Fund balances:			
Nonspendable prepaids	44,201	-	44,201
Restricted by Title V	-	414,359	414,359
Unassigned	1,219,852	-	1,219,852
Total fund balances	1,264,053	414,359	1,678,412
Total liabilities and fund balances	\$ 1,803,456	\$ 414,359	\$ 2,217,815

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, 2018

Fund Balances - Governmental Funds \$ 1,678,412

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	1,706,712	
Less accumulated depreciation	<u>(1,090,458)</u>	
		616,254

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

Compensated absences		(109,170)
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Net position of governmental activities		<u><u>\$ 2,185,496</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, 2018

	General	Title V	Total Governmental Funds
REVENUES			
Grants and contracts	\$ 907,316	\$ -	\$ 907,316
Permit fees	747,425	477,821	1,225,246
Local dues	151,910	-	151,910
Miscellaneous revenue	49,533	-	49,533
Total revenues	1,856,184	477,821	2,334,005
 EXPENDITURES			
Current:			
Air quality control	1,681,778	539,418	2,221,196
Capital outlay	102,233	-	102,233
Total expenditures	1,784,011	539,418	2,323,429
Excess (deficiency) of revenues over (under) expenditures	72,173	(61,597)	10,576
 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	112,673	(76,597)	36,076
Fund balances - beginning	1,151,380	490,956	1,642,336
Fund balances - ending	\$ 1,264,053	\$ 414,359	\$ 1,678,412

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, 2018

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

Net change in fund balances - total governmental funds	\$	36,076
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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 and reported as depreciation expense:

Capital outlay	59,710	
Depreciation	<u>(58,436)</u>	
		1,274

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	(1,392)
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Change in net position of governmental activities	\$	<u><u>35,958</u></u>
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The notes to the financial statements are an integral part of this statement.

LANE REGIONAL AIR PROTECTION AGENCY

Balance Sheet
Proprietary Funds
June 30, 2018

		Business-Type Activities - Enterprise Funds Airmetrics
ASSETS		
Current assets:		
Cash and cash equivalents	\$	897,565
Receivables, net		126,955
Inventories		78,915
Prepays		5,000
Total current assets		1,108,435
Noncurrent assets:		
Capital assets:		
Depreciable assets		128,653
Less accumulated depreciation		(78,874)
Total noncurrent assets		49,779
Total assets	\$	1,158,214
 LIABILITIES		
Current liabilities:		
Accounts payable and other current liabilities	\$	7,602
Due to other funds		53,308
Unearned revenue		395
Total current assets		61,305
Noncurrent liabilities:		
Compensated absences due in one year		11,343
Compensated absences due in more than one year		1,260
Total noncurrent liabilities		12,603
Total liabilities		73,908
 NET POSITION		
Invested in capital assets		49,779
Unrestricted		1,034,527
Total net position		1,084,306
Total liabilities and net position	\$	1,158,214

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, 2018

	<u>Business-Type Activities - Enterprise Funds Airmetrics</u>
Operating revenues:	
Charges for sales and services	\$ 875,607
Miscellaneous revenue	<u>9,784</u>
Total operating revenues	<u>885,391</u>
Operating expenses:	
Personal services	142,993
Materials and services	598,683
Depreciation	<u>5,355</u>
Total operating expenses	<u>747,031</u>
Operating income (loss)	138,360
Transfers in (out)	<u>(25,500)</u>
Change in net position	112,860
Net position - beginning	<u>971,446</u>
Net position - ending	<u><u>\$ 1,084,306</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, 2018

	Business-Type Activities - <u>Enterprise Funds</u> <u>Airmetrics</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 800,490
Payments to suppliers	(558,875)
Payments to employees	<u>(141,715)</u>
Net cash provided (used) by operating activities	<u>99,900</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer (to) from other funds	(25,500)
Change in due to/from other funds	<u>(19,330)</u>
Net cash used by noncapital financing activities	<u>(44,830)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(13,998)</u>
Net change in cash and cash equivalents	41,072
Cash and cash equivalents - beginning	<u>819,938</u>
Cash and cash equivalents - ending	<u><u>\$ 861,010</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	<u>\$ 138,360</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	5,355
Changes in:	
Accounts receivable	(84,382)
Inventories	43,077
Prepaid items	(5,000)
Unearned revenue	(519)
Accounts payable and other current liabilities	1,731
Compensated absences	<u>1,278</u>
Total adjustments	<u>(38,460)</u>
Net cash provided (used) by operating activities	<u><u>\$ 99,900</u></u>

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, 2018

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.

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, 2018

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.

When restricted, committed, assigned, and unassigned resources are available for use, it is LRAPA's policy to use restricted resources first, followed by committed, assigned, and unassigned fund balance.

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 valued at the lower of average cost or market 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, 2018

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 estimated fair market value at the date of the donation.

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.

All three of the funds have been used to liquidate compensated absences in prior years.

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, 2018

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 statement of net position.

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, 2018

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, 2018, LRAPA's cash and cash equivalents was reported as follows:

Cash on hand	\$	100
Deposits in financial institutions		560,363
Investment in LGIP		<u>1,936,051</u>
Total	\$	<u>2,496,514</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 it. 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, 2018, LRAPA's total deposits in financial institutions, per the bank statements, was \$786,630.

LANE REGIONAL AIR PROTECTION AGENCY

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

B. Receivables

At June 30, 2018, receivables in the General Fund consisted of grants due from other governmental agencies and permit fees receivable. These grants and fees 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, 2018 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
Capital assets, being depreciated:				
Building and improvements	601,052	-	-	601,052
Vehicles	156,629	-	-	156,629
Equipment	789,321	59,710	-	849,031
Total capital assets being depreciated	<u>1,547,002</u>	<u>59,710</u>	<u>-</u>	<u>1,606,712</u>
Less accumulated depreciation for:				
Building and improvements	(281,849)	(15,575)	-	(297,424)
Vehicles	(126,502)	(3,730)	-	(130,232)
Equipment and vehicles	(623,671)	(39,131)	-	(662,802)
Total accumulated depreciation	<u>(1,032,022)</u>	<u>(58,436)</u>	<u>-</u>	<u>(1,090,458)</u>
Total capital assets, being depreciated, net	<u>514,980</u>	<u>1,274</u>	<u>-</u>	<u>516,254</u>
Governmental activities capital assets, net	<u>\$ 614,980</u>	<u>\$ 1,274</u>	<u>\$ -</u>	<u>\$ 616,254</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	\$ 114,655	\$ 13,998	\$ -	\$ 128,653
Less accumulated depreciation for:				
Equipment and vehicles	(73,519)	(5,355)	-	(78,874)
Business-type activities capital assets, net	<u>\$ 41,136</u>	<u>\$ 8,643</u>	<u>\$ -</u>	<u>\$ 49,779</u>

LANE REGIONAL AIR PROTECTION AGENCY

Notes to the Financial Statements

June 30, 2018

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	<u>\$ 58,436</u>
Business-type activities:	
Portable air sampling devices and services	<u>\$ 5,355</u>

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, 2018, the interfund receivables and payables were as follows:

	Due to		
<u>Due from</u>	<u>General Fund</u>	<u>Title V Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 414,359	\$ 414,359
Airmetrics Fund	<u>53,308</u>	<u>-</u>	<u>53,308</u>
Total	<u>\$ 53,308</u>	<u>\$ 414,359</u>	<u>\$ 467,667</u>

Transfers to/from other funds:

During the year ending June 30, 2018 LRAPA made the following transfers:

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

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, 2018, 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	<u>\$ 107,778</u>	<u>\$ 96,402</u>	<u>\$ (95,010)</u>	<u>\$ 109,170</u>	<u>\$ 98,253</u>
Business-type activities:					
Compensated absences	<u>\$ 10,193</u>	<u>\$ 11,010</u>	<u>\$ (8,600)</u>	<u>\$ 12,603</u>	<u>\$ 11,343</u>

LANE REGIONAL AIR PROTECTION AGENCY

Notes to the Financial Statements

June 30, 2018

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 pension plan for substantially all employees who have 1,000 hours of service 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 \$1,277,898. LRAPA's contribution to the plan was \$98,229 for the year. Employees are required to contribute an additional 6%, subject to certain limitations. Total employee contributions for the year were \$73,671. Total payroll for all employees was \$1,292,984 for the year ended June 30, 2018. 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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Grants	\$ 914,500	\$ 914,500	\$ 907,316	\$ (7,184)
Permits and fees	743,960	743,960	747,425	3,465
Local dues	151,910	151,910	151,910	-
Miscellaneous revenue	<u>18,160</u>	<u>18,160</u>	<u>49,533</u>	<u>31,373</u>
Total revenues	<u>1,828,530</u>	<u>1,828,530</u>	<u>1,856,184</u>	<u>27,654</u>
Expenditures:				
Current:				
Personal services	1,047,290	1,047,290	1,042,728	4,562
Materials and services	796,860	796,860	639,050	157,810
Capital outlay	65,570	104,000	102,233	1,767
Contingency	<u>100,000</u>	<u>61,570</u>	<u>-</u>	<u>61,570</u>
Total expenditures	<u>2,009,720</u>	<u>2,009,720</u>	<u>1,784,011</u>	<u>225,709</u>
Excess (deficiency) of revenues over (under) expenditures	(181,190)	(181,190)	72,173	253,363
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	(140,690)	(140,690)	112,673	253,363
Fund Balances:				
Beginning of year	<u>952,370</u>	<u>952,370</u>	<u>1,151,380</u>	<u>199,010</u>
End of year	<u>\$ 811,680</u>	<u>\$ 811,680</u>	<u>\$ 1,264,053</u>	<u>\$ 452,373</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Permits and fees	\$ 478,770	\$ 478,770	\$ 477,821	\$ (949)
Expenditures:				
Current:				
Personal services	582,650	582,650	507,448	75,202
Materials and services	81,420	81,420	31,970	49,450
Total expenditures	664,070	664,070	539,418	124,652
Excess (deficiency) of revenues under expenditures	(185,300)	(185,300)	(61,597)	123,703
Other financing sources (uses):				
Transfers	(15,000)	(15,000)	(15,000)	-
Net change in fund balances	(200,300)	(200,300)	(76,597)	123,703
Fund Balances:				
Beginning of year	375,260	375,260	490,956	115,696
End of year	\$ 174,960	\$ 174,960	\$ 414,359	\$ 239,399

OTHER SUPPLEMENTARY INFORMATION

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, 2018

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Charges for services	\$ 819,910	\$ 819,910	\$ 875,607	\$ 55,697
Miscellaneous revenue	<u>26,490</u>	<u>26,490</u>	<u>9,784</u>	<u>(16,706)</u>
Total revenues	<u>846,400</u>	<u>846,400</u>	<u>885,391</u>	<u>38,991</u>
Expenditures:				
Personal services	165,710	165,710	141,715	23,995
Materials and services	675,350	675,350	598,683	76,667
Capital outlay	<u>16,500</u>	<u>16,500</u>	<u>13,998</u>	<u>2,502</u>
Total expenditures	<u>857,560</u>	<u>857,560</u>	<u>754,396</u>	<u>103,164</u>
Excess revenues over (under) expenditures	<u>(11,160)</u>	<u>(11,160)</u>	<u>130,995</u>	<u>142,155</u>
Other financing sources (uses):				
Transfers	<u>(25,500)</u>	<u>(25,500)</u>	<u>(25,500)</u>	<u>-</u>
Net change in fund balances	<u>(36,660)</u>	<u>(36,660)</u>	<u>105,495</u>	<u>142,155</u>
Fund Balance:				
Beginning of year	<u>795,280</u>	<u>795,280</u>	<u>941,635</u>	<u>146,355</u>
End of year	<u><u>\$ 758,620</u></u>	<u><u>\$ 758,620</u></u>	<u>1,047,130</u>	<u><u>\$ 288,510</u></u>
Reconciliation to full accrual Basis:				
Capital assets			49,779	
Compensated absences			<u>(12,603)</u>	
GAAP Net Position - end of year			<u><u>\$ 1,084,306</u></u>	

COMPLIANCE SECTION

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

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, 2018, and have issued our report thereon dated November 30, 2018. 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 Corporations.

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.

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

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: Paul Nielson, CPA, a member of the firm
November 30, 2018