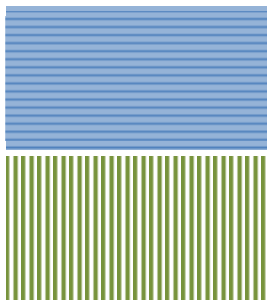


2017

LANE COUNCIL OF GOVERNMENTS
Eugene, Oregon

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended
JUNE 30, 2017





This page left intentionally blank

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017



LANE COUNCIL OF GOVERNMENTS

*859 Willamette Street
Suite 500
Eugene, Oregon 97401-2910
541 682-4283*

Prepared by:
Finance and Budget Unit

Marlene “Mitzi” Colbath
Finance and Budget Manager

This document and related information are available at

www.lcog.org/fiscal.cfm



This page left intentionally blank

Lane Council of Governments
Table of Contents
For the Fiscal Year Ended June 30, 2017

LCOG Board of Directors.....	i
------------------------------	---

Introductory Section

Letter from the Executive Director	ii
Organizational Services Chart	x

Financial Section

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4

Basic Financial Statements:

Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities.....	20

Fund Financial Statements:

Governmental Funds:

Balance Sheet – Governmental Funds.....	21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	24

Proprietary Funds:

Statement of Net Position – Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27

Fiduciary Funds:

Statement of Fiduciary Net Position – Fiduciary Funds.....	28
------------------------------------------------------------	----

Notes to the Financial Statements:

Note 1 – Summary of Significant Accounting Policies	29
Note 2 – Budgetary Information	38
Note 3 – Cash and Investments.....	39
Note 4 – Receivables	40
Note 5 – Loan Program Receivables	41
Note 6 – Capital Assets	42

Lane Council of Governments
Table of Contents

For the Fiscal Year Ended June 30, 2017

Note 7 – Long-Term Debt	43
Note 8 – Interfund Receivables, Payables, Advances and Transfers.....	46
Note 9 – Compensated Absences.....	48
Note 10 – Commitments and Contingencies	48
Note 11 – Net Investments in Capital Assets.....	48
Note 12 – Deferred Compensation	49
Note 13 – Operating Leases.....	49
Note 14 – Risk Management	51
Note 15 – Pension Plan.....	52
Note 16 – Other Post-Employment Benefits	60
Note 17 – Building: Park Place	62
Note 18 – Indirect Charges (Overhead).....	62
Note 19 – Prior Period Adjustments.....	63
Note 20 – New Accounting Pronouncements.....	64

Required Supplementary Information:

Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund.....	65
Telecommunications Fund.....	66
Grants and Contracts Fund.....	67
Required Schedules:	
Schedule of Proportionate Share of the Net Pension Liability & Schedule of Contributions.....	68
Schedule of Funding Progress and Employer Contributions	69
Other Post-Employment Benefits Schedule.....	70
Notes to the Required Supplementary Information	71

Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Enterprise Funds	73
Schedule of Resources and Requirements – Budget and Actual:	
All Organizational Units.....	74
General Fund.....	75
Government Services Fund.....	76
Senior and Disability Services Fund.....	77
Enterprise Funds	78
Statement of Net Position – Intermediary Relending Program.....	79
Schedule of Revenues, Expenses, and Changes in Net Position – Intermediary Relending Program.....	80
Combining Statement of Changes in Assets and Liabilities – Agency Funds	81

Statistical Section

Index of Tables	82
Net Position by Components	83
Change in Net Position, by Activity	85

Lane Council of Governments
Table of Contents

For the Fiscal Year Ended June 30, 2017

Statement of Activities and Changes in Net Position	86
Fund Balances – Governmental Funds	88
Changes in Fund Balances – Governmental Funds.....	90
Total Assets by Activity.....	92
Total Resources – All Funds.....	93
Revenue by Source – Governmental Funds.....	94
Total Revenue, All Funds	95
All Funds Summary: Resources.....	96
All Funds Summary: Requirements.....	97
Member Dues.....	98
Chart: Member Dues.....	99
Net Operating Performance	100
Net Operating Performance by Area.....	101
Fund Balance – All Funds.....	102
Net Capital Assets by Activity.....	103
Total Population by Jurisdiction	104
Demographic and Economic Statistics	105
Housing – Occupied and Owner Occupied Units	106
Means of Transportation to Work.....	107
Full Time Employee Equivalents for Each Fiscal Year.....	108

Compliance Section

Independent Auditor’s Report Required by Oregon State Regulations.....	109
------------------------------------------------------------------------	-----

Single Audit Reports and Schedules:

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 Governmental Auditing Standards	111
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	113
Schedule of Expenditures of Federal Awards.....	115
Notes to the Schedule of Expenditures of Federal Awards.....	117
Schedule of Findings and Questioned Costs.....	118



This page left intentionally blank

Lane Council of Governments

Board of Directors

For the Fiscal Year Ended June 30, 2017

(#) Executive Committee Member; (*) Budget Committee Member (^) Audit Committee Member

Bethel School District 52
Alan Laisure

City of Coburg
Ray Smith

City of Cottage Grove
Jeff Gowing

City of Creswell
Richard Zettervall

City of Dunes City
Rebecca Ruede

City of Eugene
Chris Pryor (#)

City of Florence
Susy Lacer

City of Junction City
Mike Crenshaw

City of Lowell
Don Bennett

City of Oakridge
Jim Coey

City of Springfield
Leonard Stoehr (#)

City of Veneta
Sandra Larson

City of Westfir
Matt Meske

Creswell School District 40
Mike Anderson

Emerald People's Utility District
Brandon Jordan

Eugene School District 4J
Mary Walston (#) (^)

Eugene Water & Electric Board
John Simpson (#)

Chair of the Board of Directors

Fern Ridge Library District
Steve Recca (#) (*)

Heceta Water District
Debby Todd (#) (*)

Junction City Rural Fire Protection District
Don Lighty

Lane Community College
Matt Keating

Lane County
Gary Williams

Lane Education Service District
Sherry Duerst-Higgins (#) (*) (^)
Vice-Chair of the Board of Directors

Lane Library District
Vacant

McKenzie School District 68
Vacant

Port of Siuslaw
Nancy Rickard

River Road Park & Recreation District
Wayne Helikson

Siuslaw Library District
Susy Lacer

Siuslaw Valley Fire & Rescue District
Jim Langborg

South Lane School District 45J
Alan Baas (#)

Springfield School District 19
Erik Bishoff

Western Lane Ambulance District
Bob Sneddon

Willamalane Park & Recreation District
Greg James (#) (^)

Non-Voting Member: Lane Transit District
Carl Yeh

Non-Board Members of the Budget Committee:
Jessica Mumme, Joy Olgyay, Robin Zygaitis



This page left intentionally blank

INTRODUCTORY SECTION





November 30, 2017

Lane Council of Governments Board of Directors:

In accordance with ORS 297.425, we are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Lane Council of Governments (LCOG), for the fiscal year ended June 30, 2017, accompanied by the report of LCOG's independent auditors, Isler CPA.

This annual financial report includes all of the funds of Lane Council of Governments. This complete set of financial statements is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards and Government Auditing Standards by a firm of licensed certified public accountants.

The CAFR consists of management's representations concerning the finances of LCOG. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to fairly present the financial position and changes in the financial position of the various funds of LCOG. All disclosures necessary to enable the reader to gain an understanding of LCOG's financial activities have been included.

Internal controls. To provide a reasonable basis for making these representations, management of LCOG has established a comprehensive internal control framework that is designed both to protect LCOG's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of LCOG's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, LCOG's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and accurate in all material respects.

Independent audit. In accordance with Oregon law, LCOG's financial statements have been audited by Isler CPA. The auditor issued an unmodified ("clean") opinion on LCOG's financial statements for the year ended June 30, 2017 (see pages 1-3). The independent audit of the financial statements was performed in accordance with applicable auditing standards as described by Isler CPA in their reports included in this document.

LCOG is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. The Schedule of Expenditures of Federal Awards can be found in the Single Audit section, along with the auditor's reports on Internal Controls and Compliance. The reports of Isler CPA are included in this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A immediately follows the independent auditor's report and provides a narrative

introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of LCOG

LCOG is one of the oldest regional councils in the nation, first organized in 1945 under the name Central Lane County Planning Commission. It was reorganized in 1971 under an intergovernmental agreement pursuant to Oregon Revised Statutes Chapter 190 and the name was changed to Lane Council of Governments. LCOG is an independent public agency that is established and supported by its member agencies to coordinate and provide high-quality public services within Lane County, Oregon. The governing body of LCOG is its Board of Directors, comprised of local elected and appointed officials designated to represent member governments and agencies. LCOG does not act under the direction and control of any single governmental entity and has the following characteristics:

- It is governed by a board of directors consisting of one appointed director from each of its 34-member organizations.
- It is a legally separate entity.
- It is fiscally independent of all member organizations and all other local government entities.
- It is vested with all the powers, rights, and duties relating to those functions and activities that are vested by law in each separate party to the intergovernmental agreement.

LCOG is located in Lane County, Oregon, the fourth most populous county in Oregon. LCOG's region is the entire Lane County area. Lane County's population is 362,150. The size of Lane County is approximately 4,554 square miles.



If a separate state, Lane County would be roughly the size of Connecticut with a population half the size of Vermont. The LCOG region is also the state's third largest Metropolitan Statistical Area (MSA) and the 144th largest MSA in the country.

Our Membership

Our members represent 34 local governments and agencies including Lane County, twelve cities, six school districts, one education district, one college, two parks and recreation organizations, three library districts, three utilities, a transit district, two fire districts, an ambulance district, and a port.

Member Governments

Bethel School District #52	City of Veneta	Lane Education Service District
Lane Library District	City of Westfir	Lane Transit District
City of Coburg	Creswell School District #40	McKenzie School District #68
City of Cottage Grove	Emerald People's Utility District	Port of Siuslaw
City of Creswell	Eugene School District #4J	River Road Park & Recreation District
City of Dunes City	Eugene Water & Electric Board	Siuslaw Library District
City of Eugene	Fern Ridge Library District	Siuslaw Valley Fire District
City of Florence	Heceta Water People's Utility District	South Lane School District #45J3
City of Junction City	Junction City RFPD	Springfield School District #19
City of Lowell	Lane Community College	Western Lane Ambulance District
City of Oakridge	Lane County	Willamalane Park & Recreation District
City of Springfield		

Our Mission

LCOG's mission is to coordinate and provide high quality public services in Lane County. Lane Council of Governments is dedicated to serving the public interest and enhancing the quality of life for citizens of Lane County.

Together with our member governments, we seek to create more accessible, sustainable, prosperous, and livable communities.

LCOG Services

LCOG services are offered over four broad areas: Government Services (planning, transportation and telecommunications); Senior and Disability Services; Business Services; and Administration. LCOG employs over 240 people and is the designated comprehensive planning and review agency for a number of federal and state programs. LCOG also serves as the fiscal agent for various federal and state programs carried out by member entities and serves as a coordinating agency for local government long-range planning activities.

LCOG provides services to its members and agency partners through these service areas:

Government Services - Planning, Transportation and IT/Telecommunications/Cable:

Planning Services – *Economic Development (coordination, resource and staff support to Lane Economic Committee representing both public and private sectors of Lane County); Community Safety, Development Services (grant writers and grant administration), Information, Research and Analysis (Geographic Information Systems, Regional Land Information Database Services, Regional Technology Services); Legal Services (hearings officials for land use and other quasi-judicial issues; city attorneys ; cable franchise administration), Urban and Regional Planning (Metropolitan and Regional Planning; Planning Assistance Contract Services, Natural Resources Planning (groundwater protection and one-point source pollution mitigation assistance, wetlands identification and mitigation plans, Clean Water Act implementation assistance).*

Transportation Services – LCOG is the federally designated Metropolitan Planning Organization - *Transportation and Public Infrastructure, Transportation Planning, staffing of the Lane Area Commission on Transportation;*

IT/Telecommunications/Cable - *Telecommunications Management, Planning, Operations, and Projects (operate and maintain regional telephone system consortium, provide basic and advanced telephone services; development and coordination of local, wide area fiber optic system for data communications; operation of local peering point for improved broadband services, staff support for the Regional Fiber Consortium); Metropolitan cable system operations (public and educational channels, cablecasts and encodes for the internet, special programming, training and public service video services to member agencies).*

Senior & Disability Services - Title III -Older Americans Act and Title XIX Medicaid, Supplemental Nutrition Assistance Program:

Title III -Older Americans Act – *Contract Management, Family Caregiver Support, Group Dining and Home Delivered Meals, Information and Assistance – Aging and Disability Resource Connection, Living Well, Options Counseling (Care, Coordination and Consultation); Oregon Project Independence, Transportation Coordination, Area Agency on Aging, Low Income Energy Assistance, Transportation Coordination;*

Title XIX Medicaid, Supplemental Nutrition Assistance Program - *Eligibility Determination, Screening and Referral (including the Oregon Health Plan eligibility), Case Management, Long-Term Care services, Licensing and Monitoring of Adult Foster Care Homes for seniors and adults with disabilities, Quality Assurance.*

Business Services – Business Loans, Building Management, and Minutes Recorder Services:

Business Loans – *Business financing for businesses in Lane County; Small Business support (maximize loan opportunities with the U.S. Small Business Administration, U. S. Economic Development Administration, U.S. Department of Agriculture and State of Oregon);*

Building Management – *Provides property management for LCOG-owned real estate;*

Minutes Recorder Services – *Provides minutes recorder services to member agencies through contracted services.*

Administrative Services - Board of Directors and Executive Management Services, Finance and Budget, Human Resources, Information Technology and Administration Support:

Board of Directors and Executive Management Services – *Provides support for the Board and its committees, support for the Executive Director;*

Finance and Budget – *Provides financial reporting, financial analysis, fiscal controls, and oversight to LCOG operations; accounting, payroll, cash management, investment oversight, grants management, and account disbursements; prepares and produces the Revised, Proposed and Adopted budgets, as well as oversees the annual external audit and prepares the CAFR; recommends, develops and ensures internal controls are in place and the management/handling of finances is in compliance with ethical business practices;*

Human Resources - *Oversees the development, refinement, and administration of staff procedures; recruitment; collective bargaining; the management of the classification compensation and employee evaluation systems; health insurance and benefits management; and the provision of professional growth resources to staff member;*

Information Technology – *Services here include services to the entire organization and does not include IS staff directly assigned to a grant, contract or billable project; develops and implements a variety of information technology solutions to maintain and support the hardware, software and network infrastructure necessary for optimal operation of the agency's computing environment;*

Administration Support - *Provides clerical support that assists all divisions and service areas.*

Budget

The annual budget serves as the foundation for LCOG's financial planning and control. The budget process begins in December with LCOG management and staff identifying projects for the subsequent year as well as grant projects that are not expected to be completed by the end of the current fiscal year.

Over the course of several months, LCOG management, staff, and advisory committees, the Budget Committee, and the Board of Directors are involved in defining the goals and objectives, as well as the projects, to be included in the work program. The LCOG Budget Committee meets to review the budget background and trends which may shape the budget. In June, a public meeting is held where all interested parties are invited to comment on the work plan, with final adoption by the Board of Directors.

The level of budgetary control is at the service level. Costs for projects can be modified as long as the total remains the same at the funding source level. Throughout the year, budget adjustments are proposed by staff for new grant funding and/or a realignment of projects and services, and reviewed by the Budget Committee.

Budget-to-actual comparisons are provided in this financial statement for the governmental funds and proprietary funds for which annual budgets are adopted.

Factors Affecting Financial Condition

Outlook

Unlike its member agencies, LCOG is primarily dependent upon formula revenues and planning grants. The majority of revenues LCOG receives are from grants or contracts. The majority of revenues in FY17 consisted of federal and state grants and contracts. As federal or state contracts increase or as multi-year projects are completed, LCOG's budget fluctuates in both revenues and matching expenditures. The most significant source of local revenue is from service contracts.

The Oregon Economic Forecast (OEF) office reported in 2017 that while Oregon's economy has been among the ten fastest growing states nationwide in recent years, Oregon job growth slowed considerably in 2017 and was no longer adding jobs at nearly twice the national rate. However, over the course of the FY17-19 biennium, Oregon is expected to see healthy jobs gains; enough to keep pace with a growing population.

The OEF report also noted that Oregon's economy is hitting a sweet spot, which only happens at or near full employment. Hiring and wages are on the rise and employment opportunities have increased for the unemployed. This results in overall household income rising which means poverty rates will begin to fall, and could reduce caseloads for needs-based programs, like some of the Senior and Disability Services programs.

The LCOG region is primarily rural and rural Oregon is expected to see slower growth than in metropolitan areas. However, the potential labor force is set to grow again in the near future and that growth may begin in rural Oregon. In that LCOG relies primarily upon grants and contracts, most from our member agencies, economic growth can have positive or negative results for LCOG revenue. As economic growth strengthens, more demand for a majority of the services provided by LCOG are required and vice versa. And any change in revenues must be matched by a change in expenditures and vice-versa. A continuous challenge for LCOG is to accurately project grants and contracts for a future time period that is 18 months in advance of the fiscal year. Expenditures are managed carefully and adjustments made as conditions require. Adequate staffing and expenditure patterns must match projected revenues.

Long-Range Planning and Major Initiatives

Long-Range Planning

A significant part of LCOG's annual budget process is dedicated to the development of a reasonable plan regarding revenue sources, operating expenditures, proposed new amenities and programs, staffing requirements, capital plans, and debt management plans for the upcoming fiscal year. A long-range financial plan is difficult given LCOG's funding is largely based on grants and contracts which emerge over time, so there is always greater variability in LCOG's budgeting process than may be present for local government units that rely upon a tax base. LCOG develops each fiscal year's budget knowing that current budget decisions can negatively impact long-term financial goals.

Through sound fiscal management, LCOG has positioned itself well to cope with revenue fluctuations and budgetary issues over time. LCOG continues to balance revenues and expenditures, maintain or enhance services, and build reserves. LCOG consistently strives to lower costs and rates while maintaining the level of services our members and the residents of Lane County expect.

The Board of Directors has approved policies establishing appropriate levels of cash reserves for operations, capital replacement, and debt service. The Operating Contingency Account is required to be maintained at a minimum level of two months of operating costs consisting of personnel costs and the equivalent of one quarterly mortgage loan payment, including principle and interest. As of June 30, 2017, the Operating Contingency Account had a balance of \$326,000, which met all policy requirements. The Capital Contingency Account does not have a level established by policy, but as of June 30, 2017, had a balance of \$390,966.

In addition, LCOG Senior and Disability Services is required by the State of Oregon Department of Human Services to develop an Area Plan on Aging and Disability Services. The Area Plan is a multi-year document, with annual updates, and helps create and maintain a service delivery system to meet the needs of older adults and adults with disabilities in Lane County. The Area Plan provides guidance for expenditures in the upcoming fiscal year and beyond.

Major Initiatives

In the administrative area, we continued to restructure LCOG's billing and rate structure and create better budget tracking mechanisms, establish guidelines, and improve financial and budgetary practices; reduced Indirect costs and corresponding rates for the fifth fiscal year in a row; achieved significant implementation of the new fiscal system; revised the LCOG Policy Manual; implemented a new Grant Writing and Resource Development model per the Board Visioning project; completed an agency-wide Exchange upgrade; implemented a new remote access solution to provide staff with better access to the agency's applications and servers; completed the rollout of the new State ASPEN system for S&DS; upgraded data connections at the Senior Meals sites and improved system performance; upgraded the LCOG public wireless system to current technology and increased bandwidth speeds by 1000%; completed the evaluation of LCOG's central services telecom system and set the agency's strategic direction for the next 5-10 fiscal years; completed the annual external audit with an unmodified opinion and initiated a successful RFP to hire a new auditor; ensured LCOG's compliance with new Governmental Accounting Standards Board (GASB) Statement 75 requirements in coordination with Milliman LLC valuation and with this CAFR, continued towards meeting the Board target of receiving the Government Finance Officers Association (GFOA) Award for Excellence in Financial Reporting for the fiscal year ending June 30, 2017.

In the Government Services area, LCOG worked with partner agencies to write grant applications with over \$6 million in funding awarded to regional agencies; continued to enhance the Regional Land Information Database (RLID) system; developed a mobile tracking application for illegal camping; conducted tribal property rights inventory and mapping for the Cow Creek Band of Umpqua Tribe of Indians; served as hearings officials in more than 100 hearings on land use appeals, animal regulation violations, and air pollution violations; supported Coburg, Dunes City, Drain, Eugene, Oakland, Yoncalla, and Westfir with planning assistance; helped develop a local wetlands assessment tool to assist local communities in integrating wetlands protection into their planning systems; provided general city attorney services to Coburg, Lowell, and Lakeside; completed two cable television renewals, one natural gas, and one electrical company franchise; Metro TV, LCOG's video production unit, was recognized with multiple awards for program quality; replaced the City of Eugene's old web streaming system enabling residents to watch public meetings from any computer, pad, or mobile device; developed a Managed Services approach for providing technology services for small agencies to make customer costs more predictable and make their budget processes simpler; partnered with member agencies on projects to migrate several websites to a new platform, implement tablet systems, and deploy public Wi-Fi systems and reader-boards; completed all MPO requirements of the 20-year air quality maintenance period for carbon monoxide emissions; advocated for designation as an eligible recipient of federal Congestion Mitigation and Air Quality (CMAQ) funding and negotiated an agreement with ODOT for approximately \$7 million; received the final report on quadrennial federal certification of the MPO program with no findings of deficiencies; developed and began using surveys to collect customer feedback; conducted a full telecom system analysis to identify a replacement for the current end-of-life system; continued partnership with the City of Eugene and EWEB to enhance high speed fiber optic internet access in the core of Eugene; and initiated an effort to provide or enhance broadband service to Oakridge, Westfir and Merrill.

In the Business Loan, Economic Development, and Minutes Recorder areas, LCOG packaged 12 loans for small businesses under various state and federal loan programs which are expected to help the small businesses to create over 250 jobs; continued rebuilding the Small Business Loan portfolio; began a facility asset assessment of the Park Place Building and developing a long range plan for managing the projected use-life of the building and its facility infrastructure systems; revised Service

Agreements for Minutes Recorder services; and increased member agency awareness of the Minutes Recorder Program.

In the Senior and Disability Services (S&DS) Division, we continued to strive to provide increased and better services to seniors and adults with disabilities in the region. We provided: 239,000 meals; 4,753 people with in-home services; 14,824 individuals received SNAP or medical eligibility services; provided transition or diversion services to 346 individuals, with 94 either remaining in the community or returning to the community from nursing facilities; Aging and Disability Resource Connection (ADRC) answered 20,753 calls; intake wait time continued to remain low with most receiving an intake within 2 to 4 weeks; 2,992 assessments for LTD medical rides were completed; and the Money Management Program served 82 people using 2,828 volunteer hours. This is by no means the only work accomplished by LCOG this year. Many other efforts and projects support the principles of relevancy, vibrancy, and sustainability, helping make the Lane County region a better place to live, work, and do business.

Acknowledgements

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance and Budget Unit and Administrative staff. We wish to acknowledge the professional and technical assistance of the audit staff of Isler CPA. Finally, we acknowledge the cooperation received from other LCOG staff in providing information required to fairly present LCOG's financial information. We also extend our appreciation to LCOG's Audit Committee, Executive Committee, and Board of Directors for their support.

Respectfully submitted,



BRENDALEE S. WILSON
Executive Director



MARLENE "MITZI" COLBATH
Finance and Budget Manager

Special acknowledgment goes to:

Laura Campbell, Administrative Coordinator

Jody Cline, Senior and Disabilities Services Division Director

David Joyal, Senior Financial Analyst

David Phillips, Finance and Budget Administrative Associate

Howard Schussler, Government Services Division Director

Chris Shuster, Senior and Disabilities Program Analyst

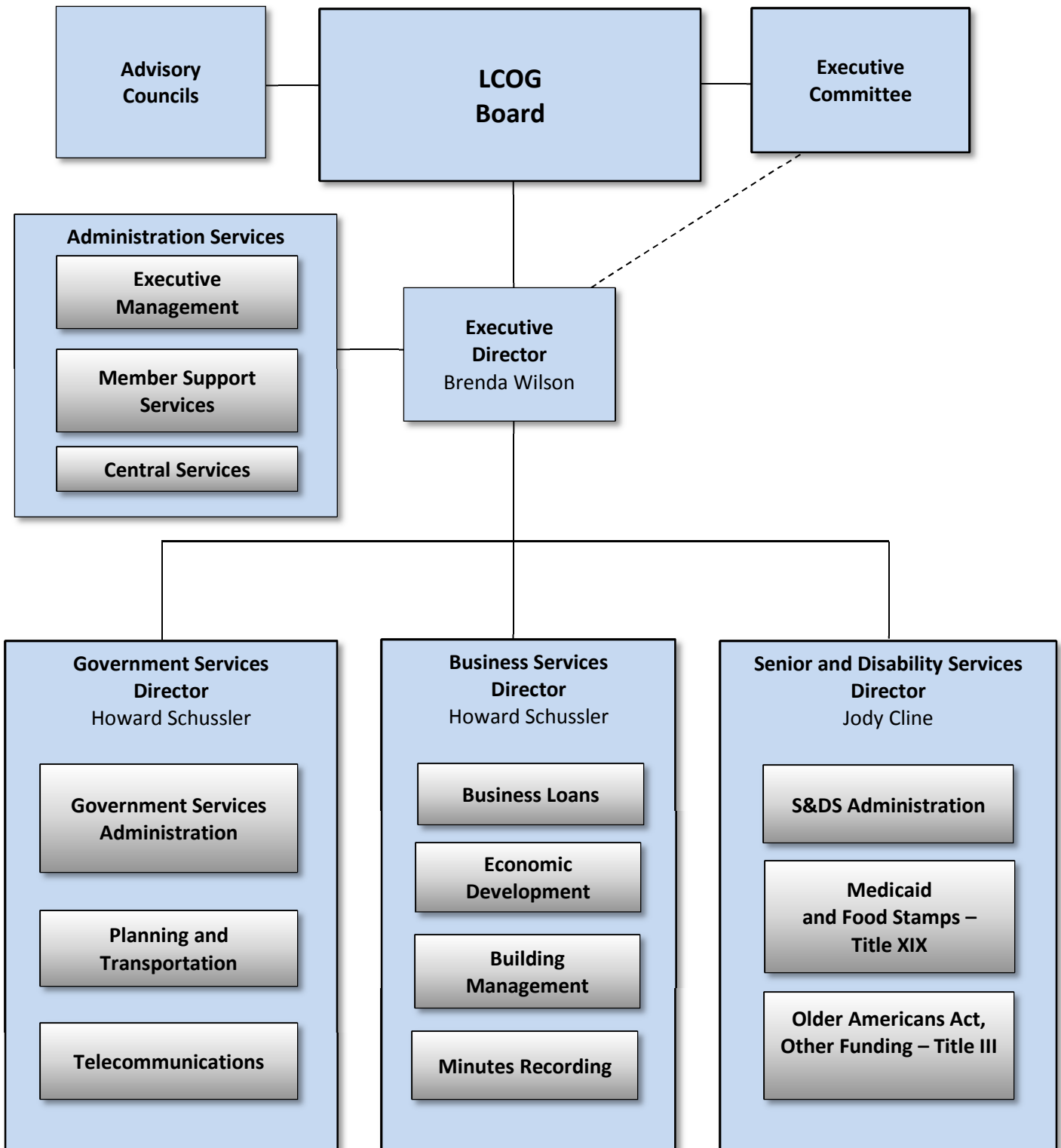
Nicole Weikel, Senior Financial Analyst

Keina Wolf, Assistant Finance and Budget Manager



This page left intentionally blank

**Lane Council of Governments
Organizational Chart**
June 30, 2017





This page left intentionally blank

FINANCIAL SECTION





This page left intentionally blank

INDEPENDENT AUDITOR'S REPORT



To the Board of Directors
Lane Council of Governments
Lane County, Oregon

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lane Council of Governments (LCOG) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise LCOG's basic financial statements 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm on RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

An independently owned member
RSM US Alliance



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 activities, each major fund, and the aggregate remaining fund information of LCOG as of June 30, 2017, 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 the Management's Discussion and Analysis and the required supplementary 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LCOG's basic financial statements. The budgetary comparison schedules presented as required supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedules have 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 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary comparison schedules, statistical section, and continuing disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical tables section have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 on our consideration of LCOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LCOG's internal control over financial reporting and compliance.

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 December 31, 2017 on our consideration of LCOG'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



Paul Nielson, CPA, a member of the firm
Eugene, Oregon
November 30, 2017



This page left intentionally blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

This section of the annual financial report presents a discussion of the financial position and changes in financial position for the Lane Council of Governments (LCOG) for the fiscal year ended June 30, 2017. This discussion and analysis is intended to be used in conjunction with the financial statements and notes to the financial statements which follow this section.

Overview

LCOG's discussion and analysis provides an overview of LCOG's financial activities for the fiscal year ended June 30, 2017. The Management's Discussion and Analysis (MD&A) section is intended to serve as an introduction to LCOG's basic financial statements. The basic financial statements are composed of the government-wide financial statements, the governmental fund financial statements, and notes to the basic financial statements. These various presentations combine to form a single, integrated set of basic financial statements.

In this MD&A, the *Statement of Net Position* and the individual accounts, which comprise total assets and liabilities, are discussed and analyzed for the reader. Specific information about the functional areas of grant revenues reported in the *Statement of Activities* is also provided. Revenue and expenditure information about each service area is reviewed.

Financial Highlights

The overall net position of LCOG as of June 30, 2017 is \$12,151,166, a decrease of \$2,226,724 from last year. This decrease is due to a combination of positive change in fund balance related to business-type activities (Proprietary Funds) of \$284,041 and a decline in governmental activities (General Fund and Special Revenue Funds) of \$2,510,763 (this includes deferred inflow and outflows of PERS pension and other post-employment benefits liability).

Current year revenues of \$27,609,029 were \$6,514,169 less than the prior year. Governmental activities revenues decreased \$6,032,836 and business-type activities revenues decreased \$481,333.

Current year expenses of \$29,835,751 were \$6,659,956 lower than the prior year. Governmental activities expenses decreased \$6,288,912 and business-type activities expenses decreased \$371,044. Overall, the excess of revenues over expenditures improved \$145,787.

In terms of fund performance, total LCOG resources, excluding transfers, are \$38,635,441, which is \$3,260,103 less than FY16 of \$41,895,544. In general, reductions in resources are matched by reductions in requirements. For the year ending June 30, 2017, the actual net decrease from FY16 actual consists of a decrease in federal and state grants and contracts of \$540,354; a decrease in local revenue of \$4,624,946; and an increase in FY16 of \$51,963 from increased member dues and rental revenues. Beginning reserves were higher by \$1,853,234 in comparison to FY16.

Total LCOG requirements, excluding transfers, are \$30,036,074, which is \$3,956,976 less than FY16 of \$33,931,423. The net increase from the prior year requirements consists of an increase of \$1,336,740 in personal services; a \$149,857 decrease in materials and services; a \$309,841 increase in capital outlay expenditures; an increase of \$178,000 in loans made to local businesses; a decrease in debt service of \$4,890,899 as one building loan was paid off in FY16 and another was refinanced; a \$740,801 decrease in services by other organizations.

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Overall, LCOG services were fairly stable for the year, with a combined current year operating performance of \$52,681, including indirect carryover not included in the budget. (Operating performance is the net of resources excluding transfers and ending fund balance less requirements excluding transfers). The current year overall net operating performance is the amount contributed to ending fund balance. This net operating increase of \$52,681 is a combination of a negative current year operating performance by the General Fund of \$145,869; a decrease of \$91,489 from the Special Revenue Funds (includes indirect fund carryover of \$61,627); and an increase of \$290,039 from the Enterprise Funds.

The General Fund negative current year operating performance was primarily due to decrease in local source and rental revenues, which was expected and budgeted for. Overall, Special Revenue performance is the result of decreased federal, state and local revenues and decreasing expenditures to offset this revenue reduction. The \$288,951 increase in Enterprise Funds consists of the following program uses and/or contributions: Building Program (Park Place) contributed \$79,765; the Loan Program contributed \$183,323, including \$175,000 in resources from USDA to provide additional business loans being made to local businesses; Minutes Recorder Program contributed \$29,343; and Economic Development used \$3,480.

The change in net position, on a full accrual basis, from the Enterprise Funds for the fiscal year was \$284,041, consisting of the following program uses and/or contributions: Building Program (Park Place) used \$42,252; the Loan Program contributed \$300,430, including \$175,000 in resources from USDA to provide additional business loans being made to local businesses; Minutes Recorder Program contributed \$29,343; and Economic Development used \$3,480.

In general, in years where LCOG expends more funds on projects or as multi-year projects phase out, overall unspent funds (ending fund balance) will fluctuate. For the year ending June 30, 2017, as a result of the operating performance, total LCOG overall ending fund balance grew to \$8,660,996, including indirect carryover not included in the budget, which is an increase of \$696,875 over FY16.

In terms of the specific cumulative ending fund balance values, \$2,601,892 in Special Revenue – Government Services Fund – a gain of \$378,926; \$2,324,549 in Special Revenue Fund - Senior and Disability Services – a reduction of \$529,210; \$2,656,733 in Enterprise Funds – a gain of \$234,867; and \$61,627 in Indirect – Central Services Fund; a gain for the same amount from FY16.

The General Fund has stabilized and there was a positive ending fund balance of \$1,016,194 in the General Fund – although this is an increase from FY16 of \$550,664. This increase is due primarily to the change in reporting of the compensated absences liability in the amount of \$704,337 and a negative net change of \$147,613 for the current fiscal year. Since FY13, when the General Fund had a deficit of \$45,838, each year since has seen a positive ending fund balance, including this year's positive ending fund balance of \$1,016,194. LCOG also met the Board's goal in the creation and funding of an operating and a capital improvement commitment.

Overview of the Financial Statements

The basic financial statements are comprised of three components: 1) *government-wide financial statements*; 2) *fund financial statements*; and 3) *notes to the basic financial statements*.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The first two financial statements that appear in the Annual Report are the *government-wide financial statements*. In addition to fund financial statements, reconciliations are also provided. These

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

reconciliations highlight the relationship (differences) between governmental activities reported in the *Statement of Net Position* and the *Statement of Activities* to the governmental funds financial statements.

Government-wide financial statements present an overall picture of LCOG's financial position and results of operations. The government-wide financial statements are designed to provide readers with a broad overview of LCOG's financial performance in a manner similar to the financial reports provided to stockholders of private-sector companies in that both use accrual accounting and are designed to provide operational accountability. This means reporting the extent to which LCOG met its operating objectives.

Most of LCOG's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which emphasizes current assets and liabilities. Essentially the governmental fund statements provide a detailed short-term view of LCOG's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance LCOG programs and services.

Government-wide financial statements include the *Statement of Net Position* and *Statement of Activities*.

Government-wide financial statements distinguish between the activities of LCOG that are principally supported by grants or contracts, and the General Fund activities which are intended to be covered primarily by dues paid by LCOG's members. Changes in net position are a result of the financial activities of the General Fund and Special Revenue Funds which account for grants and contract funds.

The *Statement of Net Position* is the basic government-wide statement of financial position. It presents information on all assets and liabilities, deferred outflows of resources and deferred inflow of resources, with the difference reported as net position. The *Statement of Activities* presents information showing how LCOG's net position changed during the fiscal year. The statement is a full accrual statement, showing both cash basis and values that have been earned or incurred but not actualized by June 30, 2017. Changes to net position are reported when the underlying event giving rise to the transaction occurs, regardless of when cash is received or paid. Since it is not dependent on the timing of cash flows, some revenues and expenses that are reported in this statement will result in cash inflows and outflows in future fiscal years.

This *Statement of Net Position* presents the same information as a balance sheet. However it assesses the balance of LCOG's assets and the resources LCOG can use to operate and provide services against LCOG's liabilities – its obligation to turn over resources to others. It is what LCOG would have remaining after satisfying its liabilities. Over time (beyond year to year), increases or decreases in net position may serve as a useful indicator of whether the financial position of LCOG as a whole is improving or deteriorating.

In the *Statement of Net Position* and the *Statement of Activities*, LCOG is divided into two types of activities:

Governmental activities – Most of LCOG's services are reported here, including the Board, Government Services, and Senior and Disability Services. Federal, state and local grants and contracts finance most of these activities. A total of 49 managerial funds are consolidated into the three reporting funds, General Fund, Telecommunications Fund, and Grants and Contracts Fund.

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Business-type activities – LCOG's business – type reporting funds are Building Program for real property management, Loan Programs, Minutes Recorder services, and Economic Development services. Charges for service are the primary source of revenue for business-type activities.

FUND FINANCIAL STATEMENTS

Fund financial statements report on governmental funds, proprietary funds, and fiduciary funds. The primary role of fund financial statements is fiscal accountability. This means demonstrating whether LCOG complied, in the short-term (usually a fiscal year), with the legal restrictions associated with its funding.

Governmental fund financial statements report the same activities as the government-wide financial statements but they use modified accrual accounting. Governmental fund financial statements focus on near-term annual inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year, rather than the longer-term focus of governmental activities as seen in the government-wide financial statements. Proprietary fund financial statements report the same as the government-wide financial statement, which both reflect the full accrual basis of accounting.

LCOG has three governmental reporting funds – the General Fund, Special Revenue Fund – Telecommunications and Special Revenue Fund – Grants and Contracts. The funds are used to account for the activities supported by member dues, administrative services, grants and contracts, and other similar types of revenue sources. In addition, LCOG has two major proprietary reporting funds, the Park Place Building and Loan Programs funds. LCOG has two non-major proprietary funds, the Minutes Recorder and Economic Development funds. These proprietary funds account for the activities supported by service charges and fees and rental income.

In FY17, LCOG closed its one fiduciary fund where it served in a trustee capacity - as an agent on behalf of other governments for the Public Safety Answering Point – 9-1-1 services. The remaining funds have been distributed to the four public safety agency points (PSAPs).

Fund Financial Statements include:

Governmental Funds:

- Balance Sheet – Governmental Funds;
- Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position;
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.

The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison of the governmental funds to the government-wide statements. A comparison will provide a better understanding of the near-term and long-term impact on LCOG's financial decisions. Such information may be useful in assessing a government's near-term financing requirements. The reconciliations are reported in the basic financial statements.

Proprietary Funds:

- Statement of Net Position – Proprietary Funds;
- Statement of Revenues, Expenditures, and Changes in Net Position – Proprietary Funds;

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

- Statement of Cash Flows – Proprietary Funds.

Fiduciary Funds:

- Statement of Net Position – Fiduciary Funds (Closed FY17).

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the Basic Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes can be found in the Basic Financial Statements section of this report.

Government-Wide Financial Analysis

Statement of Net Position

The *Statement of Net Position* is prepared using full accrual accounting since its measurement focus is total economic resources – both cash basis and values that have been earned or incurred but not actualized by June 30, 2017. The statement reports both short-term and long-term assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

Below is the summary information for the *Statement of Net Position*:

	Governmental Activities		Business Activities		Total		Increase (Decrease)
	2017	2016	2017	2016	2017	2016	
ASSETS							
Current and other assets	\$ 7,379,155	\$ 8,059,262	\$ 3,284,523	\$ 3,079,301	\$ 10,663,678	\$ 11,138,563	\$ (474,885)
Noncurrent Internal Loan	211,175	252,656	(211,175)	(252,656)	-	-	-
Noncurrent Loans Receivable	-	-	2,388,194	2,295,444	2,388,194	2,295,444	92,750
Capital Assets	10,016,507	10,229,273	6,599,622	6,850,069	16,616,129	17,079,342	(463,213)
Total Assets	17,606,837	18,541,191	12,061,164	11,972,158	29,668,001	30,513,349	(845,348)
DEFERRED OUTFLOWS	10,379,646	1,668,104	-	-	10,379,646	1,668,104	8,711,542
Total Assets and Deferred Outflows	\$ 27,986,483	\$ 20,209,295	\$ 12,061,164	\$ 11,972,158	\$ 40,047,647	\$ 32,181,453	\$ 7,866,194
LIABILITIES							
Current and other Liabilities	1,685,227	2,775,724	307,978	281,268	1,993,205	3,056,992	(1,063,787)
Long term Liabilities	19,276,075	6,406,247	6,153,404	6,375,147	25,429,479	12,781,394	12,648,085
Total Liabilities	20,961,302	9,181,971	6,461,382	6,656,415	27,422,684	15,838,386	11,584,298
DEFERRED INFLOWS	473,797	1,965,177	-	-	473,797	1,965,177	(1,491,380)
Total Liabilities and Deferred Inflows	21,435,099	11,147,148	6,461,382	6,656,415	27,896,481	17,803,563	10,092,918
NET POSITION							
Invested in Capital Assets	10,016,507	10,229,273	1,869,243	2,070,445	11,885,750	12,299,718	(413,968)
Restricted:							
Building Improvements	-	-	130,966	23,693	130,966	23,693	107,273
Telecommunications	1,611,308	1,436,908	-	-	1,611,308	1,436,908	174,400
Grants and Contracts	2,910,240	4,789,651	-	-	2,910,240	4,789,651	(1,879,411)
USDA/EDA	-	-	3,163,923	1,455,887	3,163,923	1,455,887	1,708,036
Unrestricted	(7,986,671)	(7,393,685)	435,650	1,765,718	(7,551,021)	(5,627,967)	(1,923,054)
Total Net Position	\$ 6,551,384	\$ 9,062,147	\$ 5,599,782	\$ 5,315,743	\$ 12,151,166	\$ 14,377,890	\$ (2,226,724)

Note: 2016 includes prior period adjustments

As of the year ending June 30, 2017, assets exceeded liabilities by \$12,151,166. Overall net position declined by \$2,226,722 (with prior period adjustments of \$77,831) compared to prior year. The decrease is a combination of positive change in fund balance related to business-type activities (Proprietary Funds) of \$284,041 and a decline in governmental activities (General Fund and Special Revenue Funds) of \$2,510,763.

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Specific activity that occurred in each of LCOG's major funds is as follows:

Current assets:

- Cash and investments: over the last fiscal year, cash and cash equivalents decreased by a net \$180,046. During this period, Governmental Activities cash decreased \$434,885. Cash as a percentage of total assets remained consistent at approximately 24% during the current fiscal year. There was a positive increase in cash and cash equivalents from Business - Type activities of \$254,839. Increases to Business – Type activities cash included revenues over expenditures during the fiscal year.
- Accounts Receivable is \$194,463 less than prior year. Receivables in Governmental Activities decreased by \$195,795 and Business-Type activities increased by \$1,332.

Non-current assets:

- Due from Other Funds is the amount outstanding on the 2012 loan made from the Governmental activities (governmental funds) to the Business-Type activities (proprietary funds). A loan was made for Park Place Building tenant improvements (original loan was \$418,000); amount on statement is net of loan payments as of June 30, 2017.
- Capital Assets are \$463,213 less than prior year primarily due to purchases of assets \$508,127 and accumulated depreciation and amortization of assets of \$971,338 in governmental activities.

Total liabilities increased from prior year by a net \$11,584,298 consisting of a decrease of \$1,063,787 in current and other liabilities and an increase of \$12,648,085 in long term liabilities due to the following significant activity:

Current and other liabilities:

- Accounts payable liabilities decreased by \$74,777 due to having less invoices unpaid at June 30, 2017 compared to prior year end.
- Accrued payroll and related liabilities declined by \$118,987 compared to prior year primarily due to payment of payroll liabilities by June 30, 2017. Employees' medical insurance was paid in advance of year end.
- Compensated absences of \$704,337 was shown as a current liability at June 30, 2016. Only the current portion of \$57,676 was properly reflected as current as of June 30, 2017.
- Unearned revenue decreased by \$237,146 as a result of less pre-payments for dues and services compared to prior year

Non-current liabilities:

- Long-term debt, net of current maturities, increased by \$12,648,085 due to an increase in the proportionate share of net pension liability from \$6,406,247 to \$18,405,381 (\$12,002,134 increase).
- The total compensated absences liability was reflected as a current liability at June 30, 2016. Approximately \$650,000 was added to non-current liabilities for this compensated absences liability reclassification at June 30, 2017.

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Change in the June 30, 2017 net position was affected by deferred inflow and outflows of PERS pension liability with an increase of deferred outflows of \$8,711,542 from the prior year and a decrease of deferred inflows of \$1,491,380.

In addition to the changes due to pension related deferrals, the overall net ending position compared to prior year details are as follows:

- An overall net decrease of \$413,968 in the net investment in capital assets compared to prior year is primarily due to purchases of capital assets and the depreciation expense thereon.
- Restricted net position for Governmental activities from telecommunication services increased by \$174,400 compared to prior year (consortium members contributed more funds than utilized); and restricted net position for Governmental activities from grants and contracts decreased by \$1,879,411 compared to prior year as a result of decreased grants and contracts (monies are earmarked for projects to be completed in the upcoming fiscal year and as a result are restricted) and an overall decrease of \$1,705,011 in ending fund balances compared to prior year.
- Restricted net position for Business-type activities increased by \$1,708,036 compared to prior year, with 100% of the loan programs (USDA and EDA) classified at the end of the fiscal year as restricted funds (60% in the prior year). See bullet point information below for the reclassification of these funds.
- Unrestricted net position for Business-Type activities consists of \$142,033 in loan program balances, \$211,602 of funds available for appropriation within the building program, \$80,567 of funds available for appropriation within the Minutes Recording program, and \$1,448 of funds available for appropriation within the Economic Development program. This is a total of \$435,650 unrestricted at the end of the fiscal year. The decrease of \$1,923,054 in unrestricted balance was the result of reclassifying restricted balances to include only those funds committed to USDA and EDA funds (issued to LCOG for rural and small business loans) for relending repayments.

Statement of Activities

The *Statement of Activities* presented on the following page presents the same financial ending position as the *Statement of Net Position*: \$12,151,166 at June 30, 2017 which is a decrease (after prior period adjustment of \$77,831 included in the table) in net position of \$2,226,722 from prior year.

As noted in the table, most of LCOG's funding comes from federal and state government. The balance of funding comes from local grants, contracts and other sources. Total revenues (excluding transfers) in FY17 were \$27,609,029.

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2017	2016	2017	2016	2017	2016	
REVENUES							
Program Revenues:							
Charges for Services	\$ 5,995,817	\$ 1,624,993	\$ -	\$ -	\$ 5,995,817	\$ 1,624,993	\$ 4,370,824
Operating Grants and contributions	19,808,835	28,382,224	-	-	19,808,835	28,382,224	(8,573,389)
Park Place Building	-	-	912,423	1,180,810	912,423	1,180,810	(268,387)
Loan Program	-	-	556,885	493,522	556,885	493,522	63,363
Minutes Recording	-	-	84,510	90,723	84,510	90,723	(6,213)
Economic Development	-	-	34,742	31,134	34,742	31,134	3,608
General revenues and transfers							
Unrestricted Investment earnings	2,930	4,504	941	5,080	3,871	9,584	(5,713)
Member dues	211,946	206,671	-	-	211,946	206,671	5,275
Sale of Springfield Building	-	1,638,361	-	-	-	1,638,361	(1,638,361)
Other	-	195,611	-	269,565	-	465,176	(465,176)
Total Revenues	<u>26,019,528</u>	<u>32,052,364</u>	<u>1,589,501</u>	<u>2,070,834</u>	<u>27,609,029</u>	<u>34,123,198</u>	<u>(6,514,169)</u>
EXPENDITURES							
Operating expenditures:							
Governmental activities:							
Board/executive services	569,856	3,833,110	-	-	569,856	3,833,110	(3,263,254)
Government services	6,523,490	5,812,658	-	-	6,523,490	5,812,658	710,832
Senior and disabled services	21,438,033	25,148,878	-	-	21,438,033	25,148,878	(3,710,845)
Business-type activities:							
Park Place Building	-	-	950,775	1,099,779	950,775	1,099,779	(149,004)
Springfield Building	-	-	-	136,051	-	136,051	(136,051)
Loan Program	-	-	269,827	361,720	269,827	361,720	(91,893)
Minutes Recording	-	-	54,993	55,082	54,993	55,082	(89)
Economic Development	-	-	28,777	22,784	28,777	22,784	5,993
General expenses and transfers							
Interest expense on long-term debt	-	25,645	-	-	-	25,645	(25,645)
Total Expenditures	<u>28,531,379</u>	<u>34,820,291</u>	<u>1,304,372</u>	<u>1,675,416</u>	<u>29,835,751</u>	<u>36,495,707</u>	<u>(6,659,956)</u>
Excess(deficiency) of revenues over (under)expenditures	<u>(2,511,851)</u>	<u>(2,767,927)</u>	<u>285,129</u>	<u>395,418</u>	<u>(2,226,722)</u>	<u>(2,372,509)</u>	<u>145,787</u>
OTHER FINANCING SOURCES AND (USES)							
Transfers in	1,088	94,728	-	-	1,088	94,728	(93,640)
Transfers out	-	-	(1,088)	(94,728)	(1,088)	(94,728)	93,640
Total other financial sources (uses)	<u>1,088</u>	<u>94,728</u>	<u>(1,088)</u>	<u>(94,728)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position/equity	<u>(2,510,763)</u>	<u>(2,673,199)</u>	<u>284,041</u>	<u>300,690</u>	<u>(2,226,722)</u>	<u>(2,372,509)</u>	<u>145,787</u>
Net position/equity - beginning of year	<u>9,068,207</u>	<u>1,493,644</u>	<u>5,387,512</u>	<u>4,055,281</u>	<u>14,455,719</u>	<u>5,548,925</u>	<u>8,906,794</u>
Prior period adjustment	<u>(6,060)</u>	<u>10,241,702</u>	<u>(71,771)</u>	<u>959,772</u>	<u>(77,831)</u>	<u>11,201,474</u>	<u>(11,279,305)</u>
Net position/equity, end of year	<u>\$ 6,551,384</u>	<u>\$ 9,062,147</u>	<u>\$ 5,599,782</u>	<u>\$ 5,315,743</u>	<u>\$ 12,151,166</u>	<u>\$ 14,377,890</u>	<u>\$ (2,226,724)</u>

Note: 2016 includes prior period adjustments

Total revenues in FY17 decreased from FY16 by \$6,514,169, including transfers. This is approximately 19% less than the prior fiscal year. Governmental activities used \$6,032,836, including transfers, less than the prior year and Business-type activities received \$481,333, including transfers.

Total expenditures decreased from prior year by \$6,659,956. In terms of expenditure decreases, Government activities consumed \$6,288,912 less than the prior year of net position and Business-Type activities consumed \$371,044 less than the prior year of net position. Expenditure changes are the result of the following significant activity:

- Of the total \$6,659,956 overall expenditure decrease, \$2,737,017 was related to Indirect fund expenditures recorded in board/executive activities in the prior fiscal year. \$3,710,846 of the decrease was a reduction in Senior and Disability Services expenditures to coincide with reductions in program revenue. Downward adjustments in expenditures follow revenue reductions for program deliverables on operating grants and awards. The remainder was a decrease of \$299,091 in business-type activities. The largest Business-type expenditures decreases were a \$136,051 decrease from the Springfield building that was sold in the prior year; Park Place Building decrease \$77,953; and Minutes Recording decrease of \$39,835.

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Of the total \$6,634,311 decrease in operating expenditures, \$6,263,267 was Governmental activities and \$371,044 was Business – Type activities.

Fund Financial Statement Analysis

Funds have been established by LCOG to account for revenues that are restricted to certain uses, comply with legal requirements, or account for the use of federal and state grants. As noted earlier, LCOG uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. Fund financial statements are provided for the governmental funds (General Fund, Telecommunications Fund, and Grant and Contracts Funds) and for the proprietary funds (Park Place Building, Loan Programs, Economic Development and Minutes Recording Services).

Fund financial statements track the flow of resources in and out of the funds. In addition to revenues and expenditures coming and going out of LCOG finances, “other financing sources or uses” are also noted. Other sources and uses are shown separate from revenue and expenditures to facilitate assessing the balance between ongoing revenues and expenditures related to the basic operations of LCOG. Bottom line is the net change in fund balance or net position – revenues minus expenditures and plus or minus “other financing sources or uses.”

For governmental funds, as noted on the *Statement of Revenues, Expenditures, and Changes in Fund Balances*, operating revenues decreased \$4,358,145 from prior year; operating expenditures decreased by \$4,669,967 from prior year as a result of decreased staffing and materials and services necessary to meet grants and contract deliverables, resulting in a net \$311,822 increase in operating performance compared to the prior year. Other financial sources decreased by \$1,462,801 from prior year from a one-time \$1,369,161 from proceeds from sale of Springfield building. Total net change in fund balances decreased by \$1,150,979 compared to prior year. Overall the total ending fund balances for governmental funds increased \$420,524 from prior year. This \$420,524 total includes negative change in fund balance of \$277,753 plus prior period adjustment of \$698,277. Additional information about prior period adjustments can be found in the *Notes to the Financial Statements*.

In terms of specific fund performances, the General Fund had expenditures in excess of revenue of \$189,094. General Fund - other financing uses are transfers of resources out of the fund to other governmental funds to support those operations. The current year transfer was \$1,744. After including the prior period adjustment of \$698,277, for compensated absences liability removal from the general fund, the fund ended up with an ending fund balance \$509,183 greater than prior year. Telecommunications and Grants and Contracts (both special revenue funds) had a \$24,721 increase and a \$113,380 decrease, respectively, in ending fund balance compared to the prior year.

What follows is detail to the fund analysis.

GENERAL FUND

LCOG relies primarily upon grants and contracts for its funding, therefore, there is more pressure to ensure a positive balance remaining in the General Fund in that the General Fund is the source services will look to for any required financial support. LCOG continues to improve on forecasting and projecting costs and to plan for anticipated changes to our services that will affect LCOG's financial stability. The General Fund change in fund balance was a decrease of \$189,094 and an increase due to a prior period adjustment of \$698,277 for a fund balance at the end of the fiscal year of \$974,713.

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

The \$189,094 decrease to fund balance was primarily from lower personal services expenditures related to compensated absences costs. This decrease of fund balance had been budgeted for and expected during the fiscal year.

SPECIAL REVENUE FUND – GRANTS AND CONTRACT SERVICES

Special Revenue Fund – Grants and Contracts Services accounts for programs or activities funded by federal, state, or local grants and contracts. Two material service areas combine on the statement: Government Services – Planning, Transportation, and Administration; and Senior and Disability Services and Administration.

SPECIAL REVENUE FUND – TELECOMMUNICATION SERVICES

Special Revenue – Telecommunications is also within the Special Revenue Fund. Because these funds have different funding sources (telecommunication source is consortium fees and charges), the Telecommunication Services fund statement – which accounts for the revenues and expenditures of a multi-agency telephone system which is referred to as the telecommunications consortium and public agency network - is presented separate from the traditional government services activities in that the traditional services includes programs funded by federal, state, or local grants or contracts. Telecommunications services are supported by fees and charges.

ENTERPRISE FUND

The major enterprise funds are Park Place Building and Loan Programs. Park Place Building is funded primarily by rental income and Loan Programs or activities are funded by business loans through repayment of principal and interest and loan contracts. Non-major enterprise funds consist of economic development and minutes recorder services, which are both funded by fees for service. These various proprietary accounts are presented in the enterprise fund statement.

ENTERPRISE FUND – PARK PLACE BUILDING

The Park Place Building Fund had a reduction in net position during the fiscal year of (\$42,252), after prior period adjustment. This decrease in net position was due to increased costs of maintenance and utilities and rental vacancies in the building that is considered customary for the fund.

ENTERPRISE FUND – LOAN PROGRAMS

Loan Programs had a positive change in net position of \$300,430, after prior period adjustment, during the fiscal year. Federal funding to the loan program in the amount of \$175,000 matched with \$175,000 of local revenue accounted for the majority of this increase.

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Prior Period Adjustments

Seven prior period adjustments were made to correct errors in the prior year. The first one was an error in the presentation of the compensated absences liability on the general fund balance sheet. A prior period adjustment in the amount of \$704,337 was made to remove this liability. According to GASB standards, this liability is only required to be presented on the government-wide financial statements, thus it was removed from the fund financial statements as a prior period adjustment. Secondly, an error in the calculation of total accounts receivable was corrected in the amount of \$6,060 in the general fund. The new software incorrectly reflected unapplied amounts. The third error related to the capitalization of refinance fees which are expensed under GASB standards during the prior year in the Building – Park Place fund in the amount of \$45,377. This fund also had a correction of the cash held by others of \$26,125. The fourth adjustment related to a reclassification of \$ 48,542, for Metro TV, which was a Telecommunication sub-fund and was transferred to a Grants and Contracts sub-fund at the beginning of the FY 17. Lastly, a total of \$17,686 was accrued for interest on debt in the proprietary funds that was in error and was corrected. A table of this information is included in the *Notes to the Financial Statements* to provide further detail to the reader.

S U P P L E M E N T A R Y I N F O R M A T I O N

Readers desiring additional information can find it in the Supplementary Information section of this report. This section includes a *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis) for Enterprise Funds*.

On a budgetary basis, total revenues for Enterprise funds were \$2,177,934 and total expenditures were \$1,887,895. Revenue over expenditures was \$290,039. Net transfers in/out is (\$1,088). The Enterprise fund change in fund balance for the fiscal year ended June 30, 2017 was \$288,951. The ending fund balance, after adjustment of the prior period that was primarily from restatement of refinance fees, of (\$54,085) was \$2,656,733. This ending fund balance was \$442,578 higher than expected in the budget for the fiscal year. The higher ending fund balance to budget was due to higher revenues and lower expenditures, including \$225,000 less loans made by the loan program.

This section of the MD&A addresses information that is not included in the independent auditors review in that the information is not required information. LCOG is providing this additional analysis in that it supports LCOG's budgeted funds activity and provides a narrative to the change between budget and actual activity for the Schedule of Resources and Requirements. These statements are prepared using budget basis methodology. Information noted here will not necessarily correspond to other financial statements which utilize a different basis of accounting. Those basis of accounting differences are reconciled in the notes to the supplementary information.

Resources for LCOG totaled \$41,917,597 which is \$3,150,856 lower than prior year. Detail to the resources is as follows:

- \$19,502,141 in federal and state revenues (federal is \$7,124,229; state is \$12,377,912) which is \$540,354 lower than prior year.
- \$10,266,351 in local revenues which is \$4,624,946 lower than prior year.
- \$211,946 in member dues which is \$5,275 higher than prior year
- \$46,688 in rental income which is \$46,688 higher than prior year.
- Transfer revenues of \$3,282,156 which is \$109,247 higher than prior year.

Requirements for LCOG totaled \$33,256,603 which is \$3,847,729 lower than prior year. Overall ending fund balance increased by \$696,875 from the prior year.

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

Capital Assets

Total investment in capital assets at June 30, 2017, net of accumulated depreciation and amortization, was \$16,616,129, a decrease of \$463,211 from the prior year. A decline in book value of approximately \$660,832 for governmental activities and \$310,506 is the effect of accumulated depreciation on the assets. There were new capital additions of \$508,127 for the year ending June 30, 2017. For more detailed information, please see the accompanying *Notes to the Financial Statements* of this report.

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2017	2016	2017	2016	2017	2016	
Land	\$ -	\$ -	\$ 436,200	\$ 436,200	\$ 436,200	\$ 436,200	\$ -
Buildings	-	-	4,558,663	4,706,635	4,558,663	4,706,635	(147,972)
Equipment, Furniture, Computers	224,291	165,102	-	-	224,291	165,102	59,189
Leasehold Improvements	-	8,758	1,604,759	1,707,233	1,604,759	1,715,991	(111,232)
Fiber Optics	9,412,736	9,935,666	-	-	9,412,736	9,935,666	(522,930)
Software and Intangibles	375,776	108,632	-	-	375,776	108,632	267,144
Vehicles	3,704	11,114	-	-	3,704	11,114	(7,410)
Capital Assets, Net	<u>\$ 10,016,507</u>	<u>\$ 10,229,272</u>	<u>\$ 6,599,622</u>	<u>\$ 6,850,068</u>	<u>\$ 16,616,129</u>	<u>\$ 17,079,340</u>	<u>\$ (463,211)</u>

Note: FY16 includes prior period adjustment.

Debt Service

LCOG's outstanding debt continues to decline. There were no new debt incurrences during FY17. LCOG does not issue debt and as a result does not have a credit rating. The debt outstanding as of the year ended June 30, 2017, versus the year ended June 30, 2016, has declined as a result of LCOG paying off outstanding debt. In the last five years – FY13 to FY17, LCOG has reduced the number of outstanding building loans from seven to one and paid off one of six U.S.D.A. business loans. Comparatively, debt has decreased during the past four years from \$13,308,848 to \$6,345,736 – a \$6,963,112 reduction to outstanding debt service. For more detailed information, please see the accompanying financial statements and *Notes to the Financial Statements* section of this report.

Budgetary Highlights

Pursuant to the Oregon Revised Statutes 294.900 to 294.930, LCOG is required to follow certain procedures related to the adoption of a budget. Each year, the LCOG Board of Directors adopts a budget. The Board of Directors of LCOG has elected to adopt its budget on the basis of organizational units. Administrative Services, Government Services, Senior and Disability Services, and Business Services are the organizational units for LCOG. Business Services are the enterprise funds of LCOG.

As part of the budget process, a proposed budget is prepared and presented to the LCOG Budget Committee and LCOG Executive Committee. The Budget Committee reviews and approves the budget then recommends the proposed budget to the Board of Directors. At the June Board meeting, a public hearing on the budget is held as part of the Board adoption process. During the year, revisions are made to the adopted budget which becomes the revised budget for the current fiscal year.

The FY17 Budget was adopted on June 23, 2016, at \$41,285,782. On April 27, 2017, the Board approved the FY17 Revised Budget at \$42,823,520, an increase of \$1,537,738. The changes in the Budget were the result of Federal and State revenues increasing by a net \$617,116 as the result of increased funding and additional contracts awarded for Government Services (\$447,595) and Senior and Disability Services

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

(\$169,521); local revenue increasing by a net \$91,337, with a majority of the increase due to anticipated increases in business loans; beginning reserve revenues increasing by a net \$605,637 to reflect actuals being greater than projected; and a decrease in the General Fund of a net \$395,435 overall decrease to account for the Compensated Absences Liability at the close of FY16.

In addition, the Capital contingency account (\$390,966) was moved from the General Fund to the Enterprise Fund – Park Place Building Fund with the intent to increase it over upcoming fiscal year(s).

General Fund Budgetary Highlights

The General Fund budget for the fiscal year was designed to contain costs while maintaining service levels. Revenue in the General Fund exceeded budget by \$1,055 primarily from member dues.

On the expenditure side, a \$67,277 positive budget overage was primarily due to a positive variance of \$89,639 in the personal services budget. The majority of this positive variance was \$96,255 for compensated absences expenditures not required in the General Fund. The remaining variance stems from a negative budget to actual variance of \$27,280 in materials and services costs and a decision to postpone \$4,827 in capital outlay expenditures during the fiscal year.

Significant budget to actual differences included a \$704,337 increase in beginning reserves from the prior period adjustment from the removal of compensated absences liability from the General Fund and a budgeted transfer from the Park Place Building of \$82,545 to the General Fund not completed, decreasing the overall budget variance.

Economic Factors and Next Year's Budget

Below are some key forecast and projection estimates that were used for next year's budget:

- LCOG will continue to stabilize the General Fund and be in compliance with approved reserve policies.
- LCOG will continue to build reserves that are consistent with reserve policies adopted by the Board.
- To the maximum extent possible, all direct programs and contracts will be self-supporting. LCOG General Fund dollars will only be used to support programs and contracts when required as match or to provide temporary support to a program or to support a strategic initiative that has received Executive Director prior approval to fund.
- LCOG will continue to find efficiencies in Senior and Disability Services to address the large workload while continuing to provide services that levels required and expected.

A large percentage of revenues LCOG receives is from grants or contracts with matching requirements as federal or state contracts increase or decrease or as multi-year projects are completed, LCOG's budget fluctuates in both revenues and matching expenditures. A continuous challenge for LCOG is to accurately project grants and contracts for a future time period that is 18 months in advance of the fiscal year. An adequate staffing pattern and expenditure forecast must match the projected revenues. Expenditures are managed carefully and adjustments made as conditions require. The state government continues our largest funding source. Federal funds flowing through the state are secure from annual state budget challenges, in that they are segregated from other state funding sources. In the long term, we expect funding opportunities to increase as the economy improves.

The FY18 Adopted Budget represents management's best assessment of the obligations and financial capability of LCOG for the FY18 fiscal year, and reflects LCOG's effort to continue to be innovative in

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

stabilizing our costs, our rates, and our budget, while maintaining a high level of service to the region, and on finding ways to address the challenges ahead in a positive and productive manner. The FY18 Adopted Budget reflects an overall decrease in revenues of 4.2% or \$1,723,921 less than FY17 Adopted Budget. As previously stated, fluctuations in revenue are normal for LCOG as a grant and contract funded agency.

In terms of the overall resources budget, federal and state funds total about half of all resources. The FY18 Adopted Budget reflects an overall decrease of 4.2% or \$1,723,921 less than the FY17 Adopted Budget. The change reflects a higher projection for federal and state revenues and lower projection for local revenues. LCOG revenues fluctuate each year depending on the type of grants and contracts the agency will be awarded for any given year. LCOG is expected to employ 201.12 FTE in FY18, which is only 2.7 FTE over the FY17 Adopted Budget. LCOG has always adjusted the size of its staff to match the level of revenue it expects to receive.

Senior and Disability Services (S&DS), LCOG's largest Division, has two primary sources of funding. First, as a Type B Transfer agency, S&DS has a contract with Oregon's Department of Human Services to provide Medicaid and Food Stamp services to seniors and people with disabilities in Lane County. Second, as an Area Agency on Aging, S&DS receives funding through the Older Americans Act (OAA). The FY18 Adopted Budget was built on the assumption we would receive only a slight increase over the FY15-17 biennium, which would result in a \$1.2 million budget shortfall in FY18. The allocation for the FY17-19 biennium, however, was an increase of \$4,235,677 in Medicaid funding. As a result, some cuts associated with the FY18 Adopted Budget, like furlough days, were eliminated in order to maintain high service levels.

A new member dues structure was implemented in FY14 that included a two-tier structure with a minimum \$500 member dues amount under which a member would receive a basic Regional Land Information Database (RLID) subscription; a \$1,000 Member Dues amount would provide the member with the basic RLID subscription and 12 hours of staff time. The rates for FY18 were: 0.22 for the County; 0.4 for cities; 0.1 for school districts; and 0.1 for utilities based on four categories as follows: population for county and cities, enrollment for school districts, customers for utilities, and a flat rate chosen of either \$1,000 or \$500 (depending on the services requested) for each of the non-special district members. Special district member dues remained the same in FY18.

We entered into new collective bargaining agreements for the Employees Association (EA) on January 1, 2016, and Service Employees International Union (SEIU) on July 1, 2016. Effective July 1, 2017, EA employees received a 1.3% COLA based on a 5-year average of the Consumer Price Index for All Urban Consumers (CPI-U). Administrative and Government Services management employees also received a 1.3% COLA. Effective July 1, 2017, SEIU and S&DS management received a 2.0% COLA. No additional COLA increases are due in FY18.

The current Employees Association (EA) contract, which expires on December 31, 2017, provides for a 5% cost-share for health insurance premiums and an LCOG funded Health Reimbursement Account (HRA) contribution of \$1,800 or \$2,400, depending on the level of health coverage the employee chooses (single coverage, family, etc.). The current SEIU contract (July 1, 2016 through June 30, 2019), provides for no cost-share for the first half of FY18; for the second half of FY18, SEIU employees will pay a 2.5% cost share. LCOG will fund an HRA contribution of \$1,800 or \$2,400, depending on the level of health coverage the employee chooses (single coverage, family, etc.).

In FY18, merit increases are expected to increase total compensation for LCOG employees. Employees are eligible for 3.5% annual merit increases; however, 40% of Government and Administrative Services employees will be at the top step of their salary range, which means that they will not be eligible for merit increases, but are eligible for a \$250 top step bonus. In S&DS, 81% are not at top-step and thus are

Lane Council of Governments
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

eligible for merit increases. Over 30% of management employees will be at the top step of their salary range, which means that they are not eligible for merit increases. S&DS staff at the top step will receive a top step bonus of \$350.

In terms of personal services costs, the overall net increase for FY18 is expected to be an 8.1% net increase over the FY17 Adopted Budget, or about \$1,478,660, and includes increases in wages and benefits such as PERS contributions. Specifically, in terms of costs by division and service area, Administration Services will reduce positions by .93 FTE or a 4.0% decrease (\$131,608 Operating increase offset by a \$198,236 decrease in Indirect); Government Services will be approximately 5.5% less than FY16-17 budget or \$154,989 and .25 less FTE; Senior and Disability Services (S&DS) division will be about \$831,800 greater than FY16-17 budget (a 6.4% increase). The S&DS increase is the result of increased caseloads and additional staff will be hired to accommodate the demand. Such cost increases are necessary for S&DS to deliver mandated services (matched by federal and state revenues and local revenues). Business Services has reduced FTE by .07 and costs by \$5,550 or 2.4% as part of the overall effort to match positions with workload and revenues expected in FY18.

The balance of the change in the FY18 Adopted Budget expenditures over the FY17 Adopted Budget consists of a 30.0% decrease in Materials and Services (\$2,763,726); a 22.3% decrease in Services By Others (\$733,285); and a 20.3% decrease in Debt Service (\$116,643). These decreases are offset by net increases in Capital Outlay of 19.4% (\$9,672); Transfers Out of 7.7% (\$289,639); and Ending Reserves of 1.8% (\$111,762). The net decrease in Materials and Services is primarily in the Government Services Division and includes a \$1,113,031 fiber contract with the City of Eugene. The decrease in Services by Other Organizations is primarily due to the expectation of funding fewer business loans in FY18. The net Ending Reserves decrease of \$111,762 is a result of the use of reserves for the replacement of the telephone system and a greater number of Business Loans being repaid.

Most notable, for the fourth year in a row, is the reduction to Debt Service of \$116,643. LCOG sold its Springfield Building in FY16 and the Schaefer's Building in FY14. What remains for building debt is one long-term outstanding debt on the one remaining building that LCOG owns – Park Place Building. LCOG refinanced this one remaining loan in FY16.

In addition, LCOG has reduced internal operating costs to decrease indirect rates for the fifth fiscal year in a row. While some costs for Central Services have increased, such as Personal Costs and some Materials and Services costs, like property liability insurance and the cost of computer storage, we have managed indirect costs responsibly and reduced the overall rate even as costs have increased.

Requests for Information

This financial report is designed to provide the reader with a general overview of Lane Council of Governments' finances and to demonstrate LCOG's accountability for the resources it receives. If you have any questions about this report or need additional financial information, inquiries should be directed to:

Marlene "Mitzi" Colbath
Finance and Budget Manager
859 Willamette Street, Suite 500
Eugene, Oregon 97401

Telephone: 541-682-3044
Email: mcolbath@lcog.org

BASIC FINANCIAL STATEMENTS



This page left intentionally blank

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

- Statement of Net Position
- Statement of Activities

Lane Council of Governments Statement of Net Position

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 4,148,122	\$ 2,987,925	\$ 7,136,047
Receivables	2,865,529	43,272	2,908,801
Current maturities of loans receivable	-	239,472	239,472
Accrued interest receivable	-	6,450	6,450
Due (to)/from other funds (internal balance)	(4,508)	4,508	-
Other current assets	100	-	100
Prepaid expense	369,912	2,896	372,808
Total current assets	<u>7,379,155</u>	<u>3,284,523</u>	<u>10,663,678</u>
Noncurrent assets:			
Advances to/from other funds (internal balance)	211,175	(211,175)	-
Loans receivable, net of current maturities and allowance	-	2,388,194	2,388,194
Capital assets, net of accumulated depreciation	10,016,507	6,599,622	16,616,129
Total noncurrent assets	<u>10,227,682</u>	<u>8,776,641</u>	<u>19,004,323</u>
Total assets	17,606,837	12,061,164	29,668,001
DEFERRED OUTFLOWS			
Pension Related Deferrals	10,379,646	-	10,379,646
Total Assets and Deferred Outflows	<u>27,986,483</u>	<u>12,061,164</u>	<u>40,047,647</u>
LIABILITIES			
Current liabilities:			
Accounts payable	413,273	2,349	415,622
Intergovernmental Payable	8,954	-	8,954
Accrued payroll and related liabilities	1,102,782	3,839	1,106,621
Accrued interest payable	-	25,359	25,359
Unearned revenue	102,542	52,611	155,153
Current portion of compensated absences	57,676	-	57,676
Current maturities of loans payable	-	223,820	223,820
Total current liabilities	<u>1,685,227</u>	<u>307,978</u>	<u>1,993,205</u>
Noncurrent liabilities:			
Proportionate share of net pension liability	18,408,381	-	18,408,381
Claims payable	10,340	-	10,340
Compensated absences	749,043	-	749,043
Other post-employment benefits	108,311	-	108,311
Long-term debt, net of current maturities	-	6,121,917	6,121,917
Security deposits	-	31,487	31,487
Total noncurrent liabilities	<u>19,276,075</u>	<u>6,153,404</u>	<u>25,429,479</u>
Total liabilities	20,961,302	6,461,382	27,422,684
DEFERRED INFLOWS			
Pension Related Deferrals	473,797	-	473,797
Total Liabilities and Deferred Inflows	<u>21,435,099</u>	<u>6,461,382</u>	<u>27,896,481</u>
NET POSITION			
Net Investment in capital assets	10,016,507	1,869,243	11,885,750
Restricted for:			
Building Improvements	-	130,966	130,966
Telecommunications	1,611,308	-	1,611,308
Grants and Contracts	2,910,240	-	2,910,240
Restricted by USDA; EDA	-	3,163,923	3,163,923
Unrestricted	(7,986,671)	435,650	(7,551,021)
Total net position	<u>\$ 6,551,384</u>	<u>\$ 5,599,782</u>	<u>\$ 12,151,166</u>

Lane Council of Governments
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Board/executive	\$ 569,856	\$ 46,688	\$ -	\$ (523,168)	\$ -	\$ (523,168)
Government services	6,523,490	4,888,069	1,542,754	(92,667)	-	(92,667)
Senior and disabled services	21,438,033	1,061,060	18,266,081	(2,110,892)	-	(2,110,892)
Total governmental activities	<u>28,531,379</u>	<u>5,995,817</u>	<u>19,808,835</u>	<u>(2,726,727)</u>	<u>-</u>	<u>(2,726,727)</u>
Business-type activities:						
Park Place Building	950,775	912,423	-	-	(38,352)	(38,352)
Loan program	269,827	381,885	175,000	-	287,058	287,058
Minutes recording	54,993	84,510	-	-	29,517	29,517
Economic Development	28,777	34,742	-	-	5,965	5,965
Total business-type activities	<u>1,304,372</u>	<u>1,413,560</u>	<u>175,000</u>	<u>-</u>	<u>284,188</u>	<u>284,188</u>
Total activities	<u>\$29,835,751</u>	<u>\$ 7,409,377</u>	<u>\$19,983,835</u>	<u>(2,726,727)</u>	<u>284,188</u>	<u>(2,442,539)</u>
General revenues (expenses) and transfers:						
Unrestricted investment earnings				2,930	941	3,871
Member dues				211,946	-	211,946
Other				-	-	-
Transfers				<u>1,088</u>	<u>(1,088)</u>	<u>-</u>
Total general revenues and transfers				<u>215,964</u>	<u>(147)</u>	<u>215,817</u>
Change in net position				(2,510,763)	284,041	(2,226,722)
Net position, beginning of year				9,068,207	5,387,512	14,455,719
Prior Period Adjustment				<u>(6,060)</u>	<u>(71,771)</u>	<u>(77,831)</u>
Net position, end of year				<u>\$ 6,551,384</u>	<u>\$ 5,599,782</u>	<u>\$ 12,151,166</u>



This page left intentionally blank

FUND FINANCIAL STATEMENTS

Governmental Funds

- Balance Sheet – Governmental Funds
- Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities

Proprietary Funds

- Statement of Net Position – Proprietary Funds
- Statement of Revenues, Expenses, and changes in Net Position
Proprietary Funds
- Statement of Cash Flows – Proprietary Funds

Fiduciary Funds

- Statement of Fiduciary Net Position – Fiduciary Funds

Lane Council of Governments
Balance Sheet
Governmental Funds

June 30, 2017

	General Fund	Tele- Communications	Grants and Contracts	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,559,860	\$ 1,443,366	\$ 1,144,896	\$ 4,148,122
Prepaid expenditures	25,262	13,297	331,353	369,912
Receivables	3,463	286,767	2,575,299	2,865,529
Other current assets	100	-	-	100
Advance to other funds	211,175	-	-	211,175
Due from other funds	9	10,049	4,920	14,978
	<u>9</u>	<u>10,049</u>	<u>4,920</u>	<u>14,978</u>
Total assets	<u>\$ 1,799,869</u>	<u>\$ 1,753,479</u>	<u>\$ 4,056,468</u>	<u>\$ 7,609,816</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	1,084	1,796	16,606	19,486
Accounts payable	1,572	1,122	410,579	413,273
Intergovernmental payable	-	-	8,954	8,954
Accrued payroll and related liabilities	734,904	4,088	363,790	1,102,782
Unearned Revenue	87,596	-	14,946	102,542
	<u>87,596</u>	<u>-</u>	<u>14,946</u>	<u>102,542</u>
Total liabilities	<u>825,156</u>	<u>7,006</u>	<u>814,875</u>	<u>1,647,037</u>
Fund balances:				
Nonspendable	236,437	13,297	331,353	581,087
Restricted to:				
Telecommunications	-	1,611,308	-	1,611,308
Grants and Contracts	-	-	2,910,240	2,910,240
Committed	597,154	-	-	597,154
Assigned to Telecommunications	-	121,868	-	121,868
Unassigned	141,122	-	-	141,122
	<u>141,122</u>	<u>-</u>	<u>-</u>	<u>141,122</u>
Total fund balances	<u>974,713</u>	<u>1,746,473</u>	<u>3,241,593</u>	<u>5,962,779</u>
Total liabilities and fund balances	<u>\$ 1,799,869</u>	<u>\$ 1,753,479</u>	<u>\$ 4,056,468</u>	<u>\$ 7,609,816</u>

Lane Council of Governments
Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances - governmental funds		\$ 5,962,779
------------------------------------------	--	--------------

Capital assets used in governmental funds are not financial resources and therefore are not reported in the governmental funds.

Cost	12,115,674	
Accumulated Depreciation	<u>(2,099,167)</u>	10,016,507

Certain liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds.

Other post-employment benefits	(108,311)	
Compensated absences	(806,719)	
Claims payable	<u>(10,340)</u>	(925,370)

The Net Pension Asset (Liability), and related deferred inflows and outflows is the difference between the total pension liability and assets set aside to pay benefits earned of past and current employees and beneficiaries

Proportionate share of Net Pension Asset (Liability)	(18,408,381)	
Deferred Outflows - Pension	10,379,646	
Deferred Inflows - Pension	<u>(473,797)</u>	<u>(8,502,532)</u>

Net position of governmental activities		<u>\$ 6,551,384</u>
-----------------------------------------	--	---------------------

Lane Council of Governments
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2017

	General Fund	Tele- Communications	Grants and Contracts	Total Governmental Funds
Revenues:				
Member agency dues	\$ 211,946	\$ -	\$ -	\$ 211,946
Federal and state grants and contracts	-	-	19,327,141	19,327,141
Other local sources	22,388	1,844,232	4,332,056	6,198,676
Rental and In-Kind Income	-	46,688	277,469	324,157
Total revenues	234,334	1,890,920	23,936,666	26,061,920
Expenditures:				
Current:				
Board/executive services	381,684	-	83,814	465,498
Government services	-	-	4,204,936	4,204,936
Senior and disabled services	-	-	19,763,542	19,763,542
Telecommunications	-	1,458,717	-	1,458,717
Capital outlay	40,000	319,355	88,712	448,067
Total expenditures	421,684	1,778,072	24,141,004	26,340,760
Revenues over (under) expenditures	(187,350)	112,848	(204,338)	(278,840)
Other financing sources (uses):				
Transfers In	-	-	42,416	42,416
Transfers Out	(1,744)	(39,585)	-	(41,329)
Total other financing sources (uses)	(1,744)	(39,585)	42,416	1,087
Net change in fund balances	(189,094)	73,263	(161,922)	(277,753)
Fund balances, beginning of year	465,530	1,721,752	3,354,973	5,542,255
Prior period adjustment	698,277	(48,542)	48,542	698,277
Fund balances, end of year	\$ 974,713	\$ 1,746,473	\$ 3,241,593	\$ 5,962,779

Lane Council of Governments
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances –
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Net change in fund balances - governmental funds, including prior period adjustments	\$ (277,753)
--------------------------------------------------------------------------------------	--------------

Governmental funds report capital outlays as expenditures; in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset additions	448,067	
Curret year depreciation	<u>(660,832)</u>	(212,765)

Pension expense and the changes in deferred inflows and outflows related to the net pension liability represents the changes in net pension asset (liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits	(1,799,212)
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------

Some expenses do not require the use of current financial resources and therefore are not reported as expenditure in the governmental funds.

Other post-employment benefits	(108,311)	
Compensated absences	(102,382)	
Claims payable	<u>(10,340)</u>	<u>(221,033)</u>

Change in net position of government activities (including prior period	<u><u>\$ (2,510,763)</u></u>
-------------------------------------------------------------------------	------------------------------

Lane Council of Governments
Statement of Net Position
Proprietary Funds

June 30, 2017

	Park Place Building	Loan Programs	Nonmajor Proprietary Funds		Total
			Minutes Recording	Economic Development	
ASSETS					
Current assets:					
Cash and investments	\$ 643,371	\$ 2,296,335	\$ 48,219	\$ -	\$ 2,987,925
Receivables	11,463	-	29,175	2,634	43,272
Current maturities of loans receivable	-	239,472	-	-	239,472
Accrued interest receivable	-	6,450	-	-	6,450
Due from other funds	-	-	5,462	-	5,462
Prepaid expense	81	2,505	127	183	2,896
Total current assets	<u>654,915</u>	<u>2,544,762</u>	<u>82,983</u>	<u>2,817</u>	<u>3,285,477</u>
Noncurrent assets:					
Loans receivable, net of current maturities and allowance	-	2,388,194	-	-	2,388,194
Capital assets, net of accumulated depreciation	<u>6,599,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,599,622</u>
Total noncurrent assets	<u>6,599,622</u>	<u>2,388,194</u>	<u>-</u>	<u>-</u>	<u>8,987,816</u>
Total assets	<u>7,254,537</u>	<u>4,932,956</u>	<u>82,983</u>	<u>2,817</u>	<u>12,273,293</u>
LIABILITIES					
Current liabilities:					
Due to other funds	100	56	-	798	954
Advance from other funds	211,175	-	-	-	211,175
Accounts payable	-	-	2,349	-	2,349
Accrued payroll and related liabilities	221	2,980	67	571	3,839
Accrued interest payable	16,753	8,606	-	-	25,359
Unearned revenue	52,611	-	-	-	52,611
Current maturities of loans payable	<u>117,819</u>	<u>106,001</u>	<u>-</u>	<u>-</u>	<u>223,820</u>
Total current liabilities	<u>398,679</u>	<u>117,643</u>	<u>2,416</u>	<u>1,369</u>	<u>520,107</u>
Noncurrent liabilities:					
Long-term debt, net of current maturities	4,612,560	1,509,357	-	-	6,121,917
Security deposits	<u>31,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,487</u>
Total noncurrent liabilities	<u>4,644,047</u>	<u>1,509,357</u>	<u>-</u>	<u>-</u>	<u>6,153,404</u>
Total liabilities	<u>5,042,726</u>	<u>1,627,000</u>	<u>2,416</u>	<u>1,369</u>	<u>6,673,511</u>
NET POSITION (DEFICIT)					
Net investment in capital assets	1,869,243	-	-	-	1,869,243
Restricted for Building Improvements	130,966	-	-	-	130,966
Restricted by USDA	-	1,296,475	-	-	1,296,475
Restricted by EDA	-	1,867,448	-	-	1,867,448
Unrestricted	<u>211,602</u>	<u>142,033</u>	<u>80,567</u>	<u>1,448</u>	<u>435,650</u>
Total net position (deficit)	<u>\$ 2,211,811</u>	<u>\$ 3,305,956</u>	<u>\$ 80,567</u>	<u>\$ 1,448</u>	<u>\$ 5,599,782</u>

Lane Council of Governments
Statement of Revenues, Expenses, and Changes in
Net Position – Proprietary Funds

For the Fiscal Year Ended June 30, 2017

	Park Place Building	Loan Programs	Nonmajor Proprietary Funds		Total
			Minutes Recording	Economic Development	
Operating revenues:					
Charges for services and Rent	\$ 912,423	\$ 373,876	\$ 84,510	\$ 34,742	\$ 1,405,551
Interest Income	-	8,009	-	-	8,009
Total operating revenues	<u>912,423</u>	<u>381,885</u>	<u>84,510</u>	<u>34,742</u>	<u>1,413,560</u>
Operating expenses:					
Personal services	7,367	196,046	3,306	15,869	222,588
Materials and services	428,275	57,259	51,687	12,908	550,129
Depreciation	310,506	-	-	-	310,506
Total operating expenses	<u>746,148</u>	<u>253,305</u>	<u>54,993</u>	<u>28,777</u>	<u>1,083,223</u>
Operating income	<u>166,275</u>	<u>128,580</u>	<u>29,517</u>	<u>5,965</u>	<u>330,337</u>
Nonoperating revenues (expenses):					
Federal grants	-	175,000	-	-	175,000
Interest income	941	-	-	-	941
Interest expense	(204,627)	(16,522)	-	-	(221,149)
Total nonoperating revenues (expenses)	<u>(203,686)</u>	<u>158,478</u>	<u>-</u>	<u>-</u>	<u>(45,208)</u>
Income (loss) before transfers and capital contributions	(37,411)	287,058	29,517	5,965	285,129
Transfers in	-	13,756	-	-	13,756
Transfers out	<u>(4,841)</u>	<u>(384)</u>	<u>(174)</u>	<u>(9,445)</u>	<u>(14,844)</u>
Total transfers	<u>(4,841)</u>	<u>13,372</u>	<u>(174)</u>	<u>(9,445)</u>	<u>(1,088)</u>
Change in net position	(42,252)	300,430	29,343	(3,480)	284,041
Net position, beginning of year	2,325,564	3,005,796	51,224	4,928	5,387,512
Prior Period Adjustment	<u>(71,501)</u>	<u>(270)</u>	<u>-</u>	<u>-</u>	<u>(71,771)</u>
Net position, end of year	<u>\$ 2,211,811</u>	<u>\$ 3,305,956</u>	<u>\$ 80,567</u>	<u>\$ 1,448</u>	<u>\$ 5,599,782</u>

Lane Council of Governments
Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2017

	Park Place Building	Loan Programs	Nonmajor Proprietary Funds		Total
			Minutes Recording	Economic Development	
Cash flows from operating activities:					
Cash received from customers	\$ 918,386	\$ 376,941	\$ 74,329	\$ 39,278	\$ 1,408,934
Cash paid to suppliers	(478,995)	(57,351)	(51,332)	(12,590)	(600,268)
Cash paid to employees	(7,336)	(202,093)	(3,292)	(16,139)	(228,860)
Net cash provided by operating activities	<u>432,055</u>	<u>117,497</u>	<u>19,705</u>	<u>10,549</u>	<u>579,806</u>
Cash flows from noncapital financing activities:					
Loans received from USDA	-	175,000	-	-	175,000
Transfers	(4,841)	13,373	(174)	(9,445)	(1,087)
Net cash provided by non-capital financing activities	<u>(4,841)</u>	<u>188,373</u>	<u>(174)</u>	<u>(9,445)</u>	<u>173,913</u>
Cash flows from capital and related financing activities:					
Capital Assets construction/acquisition	(60,060)	-	-	-	(60,060)
Repayments of Long-Term Debt	(94,621)	(105,539)	-	-	(200,160)
Interest paid on bank loans	(204,627)	(16,522)	-	-	(221,149)
Change in accrued interest	7,784	(111)			7,673
Net cash used by capital and related financing activities	<u>(351,524)</u>	<u>(122,172)</u>	<u>-</u>	<u>-</u>	<u>(473,696)</u>
Cash flows from investing activities:					
Interest on investments	941	-	-	-	941
Net cash provided (used) by investing activities	<u>941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>941</u>
Net increase (decrease) in cash and cash equivalents	<u>76,631</u>	<u>183,698</u>	<u>19,531</u>	<u>1,104</u>	<u>280,964</u>
Cash and cash equivalents, beginning of year	<u>566,740</u>	<u>2,112,637</u>	<u>28,688</u>	<u>(1,104)</u>	<u>2,706,961</u>
Cash and cash equivalents, end of year	<u>\$ 643,371</u>	<u>\$ 2,296,335</u>	<u>\$ 48,219</u>	<u>\$ -</u>	<u>\$ 2,987,925</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 166,275	\$ 128,580	\$ 29,517	\$ 5,965	\$ 330,337
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	310,506	-	-	-	310,506
(Increase) decrease in:					
Receivables	3,114	7,200	(4,719)	4,536	10,131
Other current assets	(10,063)				(10,063)
Loans receivable	-	(11,567)	-	-	(11,567)
Prepaid expense	9	(121)	(39)	(3)	(154)
Due from other funds	-	-	(5,462)	-	(5,462)
Interest Receivable	-	(577)	-	-	(577)
Increase (decrease) in:					
Unearned revenue	715	-	-	-	715
Security Deposits	2,849	-	-	-	2,849
Due to other funds	(41,381)	56	-	798	(40,527)
Accounts payable	-	(27)	394	(477)	(110)
Accrued payroll and related liabilities	31	(6,047)	14	(270)	(6,272)
Net cash provided (used) by operating activities	<u>\$ 432,055</u>	<u>\$ 117,497</u>	<u>\$ 19,705</u>	<u>\$ 10,549</u>	<u>\$ 579,806</u>

Lane Council of Governments
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and investments	<u>\$ -</u>
Total assets	<u><u>\$ -</u></u>
LIABILITIES	
Due to other funds	\$ -
Loans receivable, net of current maturities and allowance	<u>-</u>
Total liabilities	<u><u>\$ -</u></u>

Agency is the four 9-1-1 Public Safety Answering Points (PSAPS).
This fund was closed during FY17.



This page left intentionally blank

NOTES TO THE FINANCIAL STATEMENTS

Notes consist of a summary of significant accounting policies and all additional information necessary for a fair presentation of the basic financial statements in conformity with generally accepted accounting principles.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LCOG is a voluntary association of governmental entities in Lane County, Oregon. It is the designated comprehensive planning and review agency for a number of federal and state programs. It also serves as the fiscal agent for various federal and state programs carried out by member entities and serves as a coordinating agency for local government long-range planning activities.

LCOG is not a component unit of any of its member organizations because no member organization appoints a voting majority of LCOG's board, the elected and appointed officials of member organizations are not financially accountable for LCOG, and the relationship between LCOG and its individual member organizations is not significant enough that its exclusion from their financial statements is misleading.

Authorized Investments

State statutes authorize LCOG to invest in general obligations of the U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State of Oregon Local Government Investment Pool (LGIP), among others.

Oregon Revised Statutes (ORS) Chapter 295, requires deposits in excess of insured limits be deposited with depositories that participate in a multiple financial institution collateral pool administered by the Oregon State Treasury (OST). Each participating depository must provide collateral, generally equal to 10% of its uninsured public funds deposits. The OST is responsible for monitoring compliance with the collateralization and reporting requirements of ORS 295 and notifying local governments of compliance by financial institutions. No specific collateral can be identified as security for any one public depositor, however all pool collateral is potentially available if a participating depository is unable to satisfy claims.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the non-fiduciary activities of LCOG. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by local and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for support.

The *Statement of Activities* demonstrates the degree to which the expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Indirect expenses have been allocated to the function receiving the benefit of the expense. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported as general revenues. For schedules that reference total revenues and expenditures, both program and general revenues and expenses are included in the financial information.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The proprietary fund financial statements use the accrual basis of accounting and agency funds have no measurement focus. 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 the 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, within 90 days, subject to the following:

- Entitlements, shared revenues, and interest are recognized as revenue of the period to which they relate.
- Charges for services are recognized as revenue of the period in which the services are performed.
- Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.
- Other receipts are not considered measurable and available until cash is received.

Expenditures are recorded when the related fund liability is incurred, with certain exceptions.

Major differences between the modified accrual basis and the accrual basis are:

- Unmatured interest on long-term debt is not recognized until due.
- Capital outlay expenditures are recognized as expenditures when the assets are acquired (depreciation is not recorded).
- Proceeds of long-term borrowing are recognized as an “other financing source” and principal paid is considered an expenditure.
- Loan costs and loan discounts (premiums) are recognized as expenditures (income) when loans are taken out.

LCOG has the following major governmental funds:

- General Fund – This is the general operating fund of LCOG, used to account for all revenues and expenditures not properly accounted for in another fund. The major revenue sources are: dues paid by member government agencies and repayment of a tenant improvement loan.
- Telecommunications – Accounts for the revenues and expenditures related to the operation of a multi-agency telephone system and other telecommunication and Information Services projects.
- Grants and Contracts – This fund accounts for programs or activities funded by federal, state, or local grants or contracts.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

LCOG has the following major proprietary (enterprise) funds:

- **Park Place Building** – One fund that records the financial activity of the LCOG-owned building. Income from rents is the major source of revenue. Part of the fourth and the entire fifth floors of the building are occupancy space - LCOG Government Services occupies part of the fourth floor and Administration, Business Services, and Information Services occupies the fifth floor. The remaining space is lease/retail space and is rented and /or available to rent.
- **Loan Programs** – Seven loan funds that finance business facilities and community development projects in Lane County. LCOG administers five revolving loan funds – Intermediary Relending Program/Rural Business Development Fund (RBDF); Economic Development Administration (EDA; EDA-2); Rural Business Enterprise Grant (RBEG); and Rural Investment Board Grant (RIB). Funding for the RBDF and RBEG was provided by the U.S. Department of Agriculture. Funding for EDA and EDA-2 was provided by the U.S. Department of Commerce (with a \$500,000 local match by Lane County). Funding for the RIB was provided by Oregon Cascades West Community and Economic Development Corporation. Note that RBDF and EDA loans are considered Federal Awards and are subject to repayment of the loans (all other revolving loan programs are grants and/or awards not subject to repayment). Also, in an effort to offer Lane County businesses a comprehensive source of loan programs, LCOG has contracted with two Certified Development Companies (CDC) to provide loan packaging services. Activities of these contracts are reported in two loan program funds: Loan-Other Packaging fund and Loan-SBA504 fund. The Loan Programs includes an sub-fund for overall administration and program oversight.

Additionally, LCOG has the following the following fund types:

- Nonmajor enterprise fund - Minutes Recording - LCOG provides minutes recording services to a variety of local entities. Services are provided through contracted help. Fund consists of fees charged and contract expenses. Activities of this program are reported in the Minutes Recording fund.
- Nonmajor enterprise fund - Economic Development – This fund is devoted to economic development services.
- Fiduciary funds – In FY17, LCOG closed the only agency funds account for assets held by LCOG in a trustee capacity or as an agent on behalf of other governments. The Agency Fund (911) accounted for the receipts, disbursements, and cash balances of Lane County's four public safety answering points (PSAPS).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between LCOG's enterprise funds and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the 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. Internally dedicated resources (transfers) are reported as general revenues rather than as program revenues. Likewise, general revenues include dues assessed to member agencies.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Proprietary (enterprise) funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of LCOG's enterprise funds are rents, loan fees, and interest on business loans. Operating expenses for the enterprise funds include the cost of services, interest on loans from the USDA, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available, it is LCOG's policy to use restricted resources first.

Cash and Investments

Cash and investments consist of cash on hand, demand deposits, money market accounts, nonnegotiable certificates of deposit, and investments in the State of Oregon Treasury Department's Local Government Investment Pool (LGIP). LCOG reports all money market investments and U.S. Treasury and agency obligations at cost, which approximates fair value.

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

LCOG's only investments at June 30, 2017, were funds deposited with the State of Oregon LGIP, which is part of the Oregon Short-term Fund (OSTF). The OSTF is a cash and investment pool available for use by all state funds and eligible local governments. The LGIP is an open-ended, no-load diversified portfolio offered to eligible participants who by law are made custodian of, or have control over, any public funds. The LCOG's investment in the LGIP is carried at cost, which approximates fair value.

The State of Oregon's investment policies used in administering the LGIP is governed by statute and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for the funds on deposit in the OST. The OST's investments in short-term securities are limited by the portfolio rules established by the OSTF Board and the Council. In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution. The LGIP's portfolio rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian which holds the securities in the State of Oregon's name.

Investments in the LGIP are included in the OSTF, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2017. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the OSTF's audited financial report.

As of June 30, 2017, the fair value of the position in the LGIP is 100.57% of the value of the pool shares as reported in the OSTF audited financial statements. Amounts in the State Treasurer's LGIP are not required to be collateralized.

Fair Value Inputs and Methodologies and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- **Level 1** – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access.
- **Level 2** – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).
- **Level 3** – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments).

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Receivables

Receivables for federal and state grants and contracts are recorded as revenue in all fund types as earned. Receivables in proprietary fund types for rent or services are recorded as revenue when earned. LCOG management believes that any uncollectible amounts included in accounts and grants receivable is immaterial, therefore no provision for uncollectible accounts has been made.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Loan Program Receivables and Allowance for Loan Losses

Loans receivable are stated at their unpaid principal balance, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. If management believes collection of interest is doubtful, interest income is not accrued; uncollectible interest previously accrued is charged to interest income and interest income is recognized only to the extent cash is received. LCOG adjusts the value of its small business loan portfolio to approximate its fair value by use of an allowance for loan losses. The allowance consists of an individual assessment of each loan of factors including:

- The borrower's payment history,
- The borrower's current economic condition,
- The availability and quality of collateral, and
- The existence and quality of guarantees by third parties.

Based on the above factors, each loan is rated to establish its degree of risk. An allowance is then established for each loan based on a percentage of the outstanding balance, reduced by the amount recoverable through collateral or guarantees. The allowance is management's best estimate of the amount collectible on outstanding loans. It is possible that actual loan losses could materially differ from the estimate.

Prepays

Certain costs such as building rents may be paid in advance of the period to which the payment relates. These payments, to the extent not consumed at the end of the fiscal year, are recorded as an asset in the government-wide and fund financial statements. These prepaid amounts are considered to be non-spendable fund balance as they are not in spendable form.

Restricted Assets

Restricted net position as of June 30, 2017, totaled \$7,816,437. LCOG classifies the following cash and investments as restricted, committed or assigned as of June 30, 2017:

- In the Telecommunications fund various local government agencies limit the use of the funds, primarily for the replacement of telephone systems and public agency network projects: \$1,206,051 and \$255,257, respectively. The remainder of the fund balance is considered assigned.
- In the Grants and Contracts fund, \$150,000 is restricted for the City of Eugene and the remaining funds are considered restricted for specific use.
- In the Loan Programs fund, \$3,163,923 is restricted by the USDA and EDA for loans.
- In the Building- Park Place fund, \$130,966 is restricted for capital outlay on the building.

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In-Kind Contributions

LCOG recognizes contribution revenue for certain services received at the estimated fair value of those services when they create or enhance non-financial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not donated. Contributed materials and furniture and equipment are recorded at fair value at the date of donation.

Capital Assets

Capital assets, which include land, buildings, leasehold improvements, vehicles, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by LCOG as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at actual cost. Donated capital assets would be recorded at estimated fair market value at the date of donation (LCOG has no donated assets). 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 are depreciated using the straight line method over the following useful lives:

Buildings	40 years
Building improvements	7-40 years
Office equipment	3-5 years
Office furniture	5-7 years
Kitchen equipment	4-10 years
Vehicles and other equipment	5-10 years
Software/intangibles	3-5 years

Deferred Outflows/Inflows of Resources

In addition to assets, a separate section for deferred outflows of resources will sometimes be reported. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, a separate section for deferred inflows of resources will sometimes be reported. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Costs incurred to obtain or renew financing for long-term debt are being amortized using the effective interest method.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In the fund financial statements, governmental funds recognize loan premiums and discounts, as well as loan issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Compensated Absences

LCOG employees accumulate vacation and sick leave benefits in accordance with applicable bargaining agreements and agency policies. Employee vacation accrual is limited to 320 hours for SEIU positions and 480 for all other positions; actual maximum payout liability for all positions is 320 hours for employees terminating service. Sick leave and holiday expense is only recorded as expenditure when leave is taken. Earned but unpaid vacation benefits are recorded as a liability on government-wide financial statement. No liability is accrued for proprietary funds as management considers the amount to be immaterial. The liability for compensated absences is typically liquidated by the individual funds at the time of occurrence (i.e. vacation being taken, upon retirement or resignation).

Net Pension Liability

LCOG reports its share of the net pension liability of the Oregon Public Employees Retirement System (OPERS). A negative net pension liability is reported as a net pension asset. For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of OPERS and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Retirement Plan

All qualified LCOG employees are participants in the Oregon Public Employees Retirement System (PERS). Contributions to PERS are charged to expense/expenditures in the same period as the related payroll cost.

Other Post-employment Benefits

LCOG's net Other Post-employment Benefits (OPEB) liability is recognized as a long-term liability in the government-wide financial statements, the amount of which is actuarially determined.

Fund Balance

Fund balances, presented in the governmental fund financial statements, represent a resource for future periods that is the difference between assets and liabilities reported in a governmental fund. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition of those assets.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In the fund financial statements, the fund balance of governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which a government is bound to honor constraints imposed on the specific purposes for which amounts in those funds can be spent. LCOG evaluated each of its funds at June 30, 2017, and classified fund balances into the following five categories:

Nonspendable - when 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 resale.

Restricted – amounts constrained to specific purposes by their providers or by enabling legislation.

Committed – amounts that have been committed by formal action by the Board of Directors. Committed amounts may not be used for any other purpose unless the Board of Directors removes the constraint through Board motion.

Assigned – amounts that have been allocated by Board of Directors resolution adopting the budget with intent to use the funds for a specific purpose. Assigned fund balance is established through adoption or revision of the budget as intended for specific purpose.

Unassigned – This category includes amounts that do not fall into one of the above four categories. These are amounts that have no restrictions on them in the general fund or any deficit fund balance.

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

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 2 – BUDGETARY INFORMATION

In accordance with state law, budgets are adopted for all funds (except agency fund type) on a modified accrual basis of accounting.

For budget purposes, interfund loans are budgeted as debt service and revenue in proprietary and governmental funds, respectively; however, on a generally accepted accounting principles basis they are balance sheet transactions for principal payments only.

In-kind contributions of professional services are not budgeted for or recorded on a budgetary basis; however, these contribution transactions are accounted for on a generally accepted accounting principles basis.

Major differences between the budgetary basis and the accrual basis are:

- Interest is not recorded as an expenditure until the debt payment becomes due.
- Land, building, and equipment purchases are budgeted as an expenditure in the year of acquisition.
- No depreciation is budgeted.
- In the Loan Programs, principal paid on loans is budgeted as an expenditure and loan proceeds are budgeted as revenue.
- In the Loan Programs, disbursements to borrowers are budgeted as expenditures and principal received on loans is budgeted as revenue.

Expenditures are controlled by appropriations adopted by resolution of the Board of Directors. Appropriations are adopted at the broad object level of personal services, materials and services, capital outlay, debt service, and special payments. These expenditure appropriations are adopted for purposes of accountability and as a method of providing public involvement into the budget process as provided by ORS 294.905 through 294.930. There is no legal requirement that expenditures do not exceed appropriations.

The Enterprise Fund: Debt service exceeded budget by \$673 for the fiscal year ended June 30, 2017.

Appropriations lapse at the end of each year. The budget as originally adopted may be amended by the Board. There was one such amendment authorized in FY17.

Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is not used.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 3 – CASH AND INVESTMENTS

LCOG maintains a cash account that is available for use by all funds. Each fund's portion of this pool is displayed on the *Statement of Net Position* as part of "cash and investments".

Cash and investments at June 30, 2017, consisted of the following:

Cash with Fiscal Agent	\$ 10,000
Certificates of Deposit	471,782
Local Government Investment Pool	79,381
Demand Deposits	2,483,187
Money Market Accounts	4,091,697
Total Cash and Investments	<u>\$ 7,136,047</u>

Cash and investments are presented in the financial statements as follows:

Governmental activities	\$ 4,148,122
Business-type activities	2,987,925
Total Cash and Investments	<u>\$ 7,136,047</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In general the longer the maturity of an investment, the greater the risk that the investment's fair value will decline if interest rates rise. In order to manage the interest rate risk of its investments, LCOG invests only in the LGIP. The LGIP has rules that require at least 50% of its investments to mature within 93 days, not more than 25% may mature in over a year, and all other investments must mature in no more than three years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The LGIP is not rated for credit risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, LCOG will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Demand deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. LCOG does not have a formalized custodial risk policy but has enacted procedure for oversight mitigation of such risk. At June 30, total in banks was \$7,461,003 and total in LGIP accounts was \$79,381. Of the \$7,461,003 in banks, \$1,807,917 was insured and \$5,653,066 was collateralized.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 3 – CASH AND INVESTMENTS, Continued

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, LCOG will not be able to recover the value of an investment or collateral securities in the possession of an outside party. Since LCOG's investment in the LGIP is not evidenced by securities that exist in physical or book entry form, LCOG is not exposed to custodial credit risk. At June 30, 2017, all bank balances were in compliance with the collateral requirements of Oregon law. Deposits in excess of FDIC insurance coverage are held with institutions participating in the Oregon Public Funds Collateralization Program. In the event of bank failure, the entire pool of collateral pledged by all the qualified depository institutions is available to repay deposits of public funds of the government entities.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss due to a large portion of investments with a single issuer. LCOG's assessment of potential loss due to concentrations is considered remote. Placement of a majority of cash with major financial institutions believed to be credit worthy and the limitation of the total investments marginalizes this risk.

NOTE 4 – RECEIVABLES

Receivables as of June 30, 2017, for LCOG are as follows:

<u>Fund Type/Name</u>	<u>Accounts</u>	<u>Rents</u>	<u>Total</u>
Governmental funds:			
General	\$ 3,463	\$ -	\$ 3,463
Telecommunications	284,633	2,134	286,767
Grants and Contracts	2,575,299	-	2,575,299
Total governmental funds/			
Governmental Activities:	2,863,395	2,134	2,865,529
Proprietary funds:			
Park Place Building	-	11,463	11,463
Non-major proprietary funds	31,809	-	31,809
Total Proprietary funds/			
Business activities:	31,809	11,463	43,272
Total Receivables	\$ 2,895,204	\$ 13,597	\$ 2,908,801

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 5 – LOAN PROGRAM RECEIVABLES

LCOG loans money to qualifying rural small businesses under its Intermediary Relending Program in cooperation with the U.S. Department of Agriculture. Also, as the recipient of an award from the Economic Development Administration, LCOG operates a Revolving Loan Fund to assist business enterprises and create jobs. Local funds are also used to create small miscellaneous business loans.

LCOG considers a loan to be impaired when, based on current information, it is probable that all principal and interest will not be collected according to the terms of the loan. When a loan becomes impaired, its related allowance is adjusted so that the loan's carrying value reflects the value of its collateral and the present value of any expected cash flows. A restructured loan involving modification of terms is also treated as an impaired loan. In the years after the restructuring, loans are not considered impaired unless the interest rate on the restructured loan is less than the rate LCOG would have accepted on other loans with similar risks.

At June 30, 2017, LCOG's loans receivable for the Loan Program funds consisted of 34 loans, all originally funded for no more than \$200,000, interest ranging from 5.00% to 8.25%, principal and interest due monthly for periods up to 20 years, secured by real property, machinery, and equipment. Included in the below loans receivable are USDA loans which are pledged as collateral. The collateralized loans have a carrying value of \$1,127,567.

Total all loans outstanding (all programs)	\$ 2,831,091
Allowance for loan losses (all programs)	<u>(203,425)</u>
Loans receivable, net of allowance for loan losses (all programs)	<u><u>\$ 2,627,666</u></u>
By time period:	
Current loans receivable: amounts due within one year (all programs)	\$ 239,472
Non-current loans receivable (all programs)	<u>2,388,194</u>
Loans receivable, net of allowance for loan losses (all programs)	<u><u>\$ 2,627,666</u></u>

There was no net change in loan receivables allowance for loan losses during FY17.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<u>Governmental Activities:</u>				
Depreciable Assets:				
Leasehold Improvements	\$ 125,305	\$ -	\$ -	\$ 125,305
Vehicles	103,178	-	-	103,178
Fiber Optics	10,458,596	-	-	10,458,596
Software and Intangibles	152,065	340,000	-	492,065
Furniture & Equipment	835,758	108,067	7,294	936,531
Total Depreciated Assets	<u>11,674,901</u>	<u>448,067</u>	<u>7,294</u>	<u>12,115,674</u>
Less Accumulated Depreciation for:				
Leasehold Improvements	116,547	8,758	-	125,305
Vehicles	92,064	7,410	-	99,474
Fiber Optics	522,930	522,930	-	1,045,860
Software and Intangibles	43,433	72,856	-	116,289
Furniture & Equipment	670,655	48,878	7,294	712,239
Total Accumulated Depreciation	<u>1,445,629</u>	<u>660,832</u>	<u>7,294</u>	<u>2,099,167</u>
Net Capital Assets - Governmental	<u>10,229,272</u>	<u>(212,765)</u>	<u>-</u>	<u>10,016,507</u>
<u>Business Type Activities</u>				
Non-depreciable Assets:				
Land & Land Improvements	436,200	-	-	436,200
Depreciable Assets:				
Buildings	5,918,899	-	-	5,918,899
Improvements	3,283,210	60,060	-	3,343,270
Total Depreciated Assets	<u>9,202,108</u>	<u>60,060</u>	<u>-</u>	<u>9,262,168</u>
Less Accumulated Depreciation/Amortization for:				
Buildings	1,212,264	147,972	-	1,360,236
Improvements	1,575,977	162,534	-	1,738,511
Total Accumulated Depreciation	<u>2,788,241</u>	<u>310,506</u>	<u>-</u>	<u>3,098,747</u>
Net Capital Assets - Business-type	<u>6,850,068</u>	<u>(250,446)</u>	<u>-</u>	<u>6,599,622</u>
Net Capital Assets, All	<u>\$ 17,079,340</u>	<u>\$ (463,211)</u>	<u>\$ -</u>	<u>\$ 16,616,129</u>

* Prior period adjustments deducted from the beginning balance includes: Refinance fees expensed \$45,377.
The assets in the business-type activities include retail space. These assets and their lease terms are further described in Operating leases note to the financial statements.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 6 – CAPITAL ASSETS, Continued

Depreciation expense was charged to the following activities as of June 30, 2017:

<u>Activity</u>	<u>Amount</u>
<u>Governmental:</u>	
Board/Executive	\$ 64,998
Government Services	557,414
Senior and Disabled Services	38,420
Total governmental activities	<u>660,832</u>
<u>Business:</u>	
Park Place Building	310,506
Total depreciation expense	<u>\$ 971,339</u>

NOTE 7 – LONG -TERM DEBT

The following schedule shows the debt service requirements for loan debt categorized by activity: governmental-type activity is loan debt that is the financial obligation of the General Fund; business-type activity is loan debt that is the financial obligation of the Enterprise Funds.

Summary of outstanding loan balances by type of loan is as follows:

<u>Activity and Type of Loan</u>	<u>June 30, 2017</u> <u>Balance</u>
Business activities: building loan	4,730,379
Business activities - business loans	1,615,358
Total loans payable - all activities	<u>\$ 6,345,737</u>

There is no loan debt for government activities at June 30, 2017. Business activities building loan debt is transacted in the Enterprise Funds for building loan debt on the Park Place Building.

During the refinance of the Park Place building in FY16, LCOG took out a Business Line of Credit in the amount of \$100,000 with Banner Bank that matured 6/1/17 with an initial interest rate of 4.5%. LCOG is currently negotiating with Banner Bank for renewal at the date of this report. During FY17, no amounts were disbursed from this line of credit.

Business loans debt are loans made to Lane Council of Governments from USDA for rural small businesses loan support in Lane County. Business activities are transacted in the Enterprise Fund - Loan Program – Intermediary Relending Program.

What follows is the detail of loans payable debt outstanding at June 30, 2017, by activity and by specific loan.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 7 – LONG -TERM DEBT, Continued

Loan Debt - Business activities – Building loans

Principal

\$4,825,000 Banner Bank loan; dated June 16, 2016; monthly principal and interest payments of \$26,382 (annual payments of \$316,584) with final balloon payment of \$3,466,346 due July 1, 2026; interest rate of 4.25% per annum through and including June 30, 2023. Commencing July 1, 2023, through the remainder of the Note Term, interest shall accrue on the unpaid principal of this Note at a fixed interest rate equal to the then current Federal Home Loan Bank three year advance rate (the “Index”) plus three hundred twenty-five basis points (3.25%); provided, that in no event shall the interest rate accruing on the note be less than 4.25% (the “Floor Rate”). This note is secured by real property, building fixtures, and the pledge of future income from tenant rents.

\$ 4,730,379

Loan Debt - Business activities – Business Loans

\$1,000,000 USDA loan; dated May 21, 1998; annual principal and interest payments of \$20,300 through October 2029 and \$19,998 due October 2030; interest rate of 1.00%; secured by the rights to and revenues of LCOG's Intermediary Relending Program revolving fund, and all chattel paper, accounts receivable, contract rights, general intangibles, gross receipts, income, and revenue derived therefrom.

439,312

\$478,000 USDA loan; dated October 11, 2000; annual principal and interest payments of \$20,300 through October 2029 and \$19,998 due October 2030; interest rate of 1.00%; secured by the rights to and revenues of LCOG's Intermediary Relending Program revolving fund, and all chattel paper, accounts receivable, contract rights, general intangibles, gross receipts, income, and revenue derived therefrom.

263,418

\$400,000 USDA loan; dated July 30, 2001; annual principal and interest payments of \$16,980 through July 2030 and \$16,757 due July 2031; interest rate of 1.00%; secured by the rights to and revenues of LCOG's Intermediary Relending Program revolving fund, and all chattel paper, accounts receivable, contract rights, general intangibles, gross receipts, income, and revenue derived therefrom.

235,153

\$500,000 USDA loan; dated August 22, 2002; annual principal and interest payments of \$21,225 through August 2031 and \$20,947 due August 2032; interest rate of 1.00%; secured by the rights to and revenues of LCOG's Intermediary Relending Program revolving fund, and all chattel paper, accounts receivable, contract rights, general intangibles, gross receipts, income, and revenue derived therefrom.

311,960

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 7 – LONG -TERM DEBT, Continued

Loan Debt - Business activities – Business Loans, Continued

\$500,000 USDA loan; dated June 29, 2006; annual principal and interest payments of \$21,225 through June 2035 and \$20,947 due June 3036 ; interest rate of 1.00%; secured by the rights to and revenues of LCOG's Intermediary Relending Program revolving fund, and all chattel paper, accounts receivable, contract rights, general intangibles, gross receipts, income, and revenue derived therefrom.	365,515
Total loan debt for business activities (building and business loans)	6,345,737
Less: Amounts due within one year	223,820
Loan debt, net of current maturities – business activities (principal only)	\$ 6,121,917

The following schedule shows the debt service requirements for loans payable as of June 30, 2017:

Business -Type Activities						
Fiscal Year	Building Loan		Business Loans		Total Business - Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 117,819	\$ 198,764	\$ 106,001	\$ 16,171	\$ 223,820	\$ 214,935
2019	122,924	193,658	107,062	15,109	229,986	208,767
2020	128,252	188,331	108,132	14,040	236,384	202,371
2021	133,810	182,773	109,213	12,959	243,023	195,732
2022	139,609	176,973	110,306	11,867	249,915	188,840
2023-27	4,087,965	656,988	568,295	42,563	4,656,260	699,551
2028-32	-	-	403,067	16,146	403,067	16,146
2033-36	-	-	103,282	2,288	103,282	2,288
Total	<u>\$4,730,379</u>	<u>\$1,597,487</u>	<u>\$1,615,358</u>	<u>\$ 131,143</u>	<u>\$6,345,737</u>	<u>\$1,728,630</u>

Total interest on debt paid for the year ended June 30, 2017, business-type activities \$ 221,149

*See Interfund Receivables, Payables, Advances and Transfers Note for information regarding interfund advances and payables.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 7 – LONG -TERM DEBT, Continued

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 704,337	\$ 952,481	\$ 850,099	\$ 806,719	\$ 57,676
Other post-employment benefits	71,419	69,674	32,782	108,311	-
Governmental Activities Long-term Liabilities	<u>\$ 775,756</u>	<u>\$ 1,022,155</u>	<u>\$ 882,881</u>	<u>\$ 915,030</u>	<u>\$ 57,676</u>
<u>Business - Type Activities</u>					
Loans payable:					
Building loan payable	\$ 4,825,000	\$ -	\$ 94,621	\$ 4,730,379	\$ 117,819
Business loans payable	1,720,897	-	105,540	1,615,358	106,001
Total loans payable	6,545,897	-	200,161	6,345,736	223,820
Deposits	28,938	5,249	2,700	31,487	-
Business - Type Activities Long-term Liabilities	<u>\$ 6,574,835</u>	<u>\$ 5,249</u>	<u>\$ 202,861</u>	<u>\$ 6,377,223</u>	<u>\$ 223,820</u>

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as “interfund” receivables/payables” (ie., the current portion of interfund loans) or “advances to/from other funds” (ie., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported 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”.

Interfund Advances

On May 12, 2012, per Resolution 2012-03, LCOG General Fund made an advance of \$418,000 to the Enterprise Fund - Park Place Building. The purpose of this advance was to fund tenant improvements to the Park Place Building third floor. Amounts are repaid annually on or before August 15 of each fiscal year.

Interfund loan activity and balances for the year ended June 30, 2017 was as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Payments</u>	<u>End of year</u>	<u>Current portion</u>
Park Place Building Fund					
Due to LCOG General Fund	<u>\$ 252,656</u>	<u>\$ -</u>	<u>\$ 41,481</u>	<u>\$ 211,175</u>	<u>\$ 41,689</u>

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS, Cont.

Interfund Receivables and Payables

Interfund borrowing/lending arrangements between funds that are outstanding as of June 30, 2017 are as follows:

	Due to Other Funds	Due from Other Funds
<u>Governmental Funds</u>		
General Fund	\$ 1,084	\$ 9
Telecommunications	1,796	10,049
Grants and Contracts	16,606	4,920
Subtotal - Governmental Funds	<u>19,486</u>	<u>14,978</u>
<u>Proprietary Funds</u>		
Park Place Building	100	-
Loan Programs	56	-
Nonmajor Proprietary Funds	798	5,462
Subtotal - Proprietary Funds	<u>954</u>	<u>5,462</u>
Total Due to/from Other Funds	<u>\$ 20,440</u>	<u>\$ 20,440</u>

Interfund Transfers

Funds are transferred from one fund (transfers out) to support expenditures of other funds (transfers in) in accordance with the authority established for the individual fund. For the year ending June 30, 2017 transfers were as follows:

	Transfers In:	Total Transfers Out
	Grants and Contracts	Loan Programs
<u>Transfers Out:</u>		
General Fund	\$ 1,744	\$ -
Telecommunications	39,584	-
Park Place - Building	404	4,437
Loan Programs	384	-
Nonmajor Proprietary Funds	300	9,319
Total Transfers In	<u>\$ 42,416</u>	<u>\$ 13,756</u>
		<u>\$ 56,172</u>

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 9 – COMPENSATED ABSENCES

Compensated Absences consists of the estimated vacation liability LCOG would be expected to pay out should employees of record all terminate at or on June 30, 2017. The basis of the value of the liability is the LCOG policy for vacation payout. LCOG employees accumulate vacation and sick leave benefits in accordance with applicable bargaining agreements and agency policies. Employee vacation accrual is limited to 320 hours for SEIU positions and 480 for all other positions; actual maximum payout liability for all positions is 320 hours for employees terminating service. Sick leave and holiday expense is only recorded as expenditure when leave is taken.

LCOG determines the reasonable value of individual employee vacation balances in June of each fiscal year. Based on the ending value, LCOG would increase or decrease the liability for the fiscal year. During the year ending June 30, 2017, the net liability increased \$102,382 to \$806,719. The direct subfund where the employee charges time and effort is the fund used to liquidate the compensated absence due the employee upon use or termination.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required; certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any unforeseen disallowed claims, including amounts already collected, could become a liability of the general fund or other applicable funds.

NOTE 11 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets as presented in the *Statement of Net Position* as of June 30, 2017 is determined as follows:

<u>Governmental Activities</u>	
Governmental Activities net position invested in capital assets, net of related debt	<u>\$ 10,016,507</u>
 <u>Business - Type Activities</u>	
Capital Assets, net of accumulated depreciation	\$ 6,599,622
Less outstanding principal on capital assets related debt:	
Mortgage Loan Payable	<u>(4,730,379)</u>
Business - Type Activities net position invested in capital assets, net of related debt	<u>\$ 1,869,243</u>

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 12 – DEFERRED COMPENSATION

Deferred compensation plans are available to employees wherein they may execute an individual agreement with LCOG for amounts earned by them to not be paid until a future date when circumstances are met. These deferred compensation plans are ones which are authorized under Internal Revenue Code Section 457 and have been approved in their specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrators of the plans for the sole benefit of the plan participants and are not considered assets or liabilities of LCOG.

Two outside agencies currently collect, manage, and operate LCOG's deferred compensation program: Oregon Savings and Growth Plan (OSGP), and International City Managers Association (ICMA). The estimated total contribution is as follows:

	<u>For Fiscal Year 2016-17</u>	<u>Cumulative at 6/30/17</u>
Employer paid contributions:	\$ 183,114	\$ 3,069,763
Employee paid contributions:	<u>365,518</u>	<u>4,441,946</u>
Total	<u>\$ 548,632</u>	<u>\$ 7,511,709</u>

NOTE 13 – OPERATING LEASES

Real Estate Rentals

Leases that constitute real estate rental agreements are classified as operating expenses. Real estate rental agreements are cancelable arrangements. Below are the real estate leases for LCOG as of June 30, 2017.

Lane County Public Svc Bldg: LCOG leases 930 square feet of space for the MetroTV program from Lane County (office is located at Lane County Public Service Building in Eugene, OR) at as cost of \$13,650 for the year ending June 30, 2017.

Senior Meals - Central Kitchen: LCOG leases 4,172 square feet of space for the Senior Meals Meal Preparation program from Lulu, Inc. (office is located at 1407 Cross Street, Eugene, OR). For the year ending June 30, 2017, the lease required monthly payments of \$2,750 for a total of \$33,000 for the year ending June 30, 2017.

Title XIX sites: Title XIX Medicaid services are provided at various site locations. As a result, LCOG leases space in the Schaefer's Building for Senior & Disability Services at \$40,000 per month for a total of \$480,000 for the year ending June 30, 2017; LCOG also leases a site from the State of Oregon, Department of Human Services (at 3180 Hwy 101, Florence, OR) for Senior & Disability Services at a cost of \$4,368 per month and an annual property tax expense associated with the lease for a total of \$52,486 for the year ending June 30, 2017; LCOG also leases a site from Gary and Ruth Ackley (office locates in Cottage Grove, OR). The lease requires a monthly payment of \$1,864 per month for a total of \$22,362 for the year ending June 30, 2017. This lease was terminated, by agreement as of September 30, 2017.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 13 – OPERATING LEASES, Continued

Senior Meals – Nutrition/Outreach: LCOG has various nutrition and outreach sites for the Senior Meals program. The majority of the agreements for these sites call for monthly rental payments for a total cost of \$16,440 for the year ending June 30, 2017. The remaining sites are donated to LCOG.

Senior Connections: LCOG rents space from Mid Lane Cares and the City of Oakridge for the Senior Connections program at an annual cost of \$4,675 for the year ending June 30, 2017.

Park Place Building(*): LCOG occupies space in the Park Place Building for LCOG administration and government services at a total occupancy cost of \$301,288 for the year ending June 30, 2017.

Total rental expense LCOG paid on these real estate rental leases for the year ending June 30, 2017, was \$ 923,901.

(*) This is a building that is owned by Lane Council of Governments - occupancy costs only reflected.

At June 30, 2017, the approximate future minimum rental commitments under real estate operating leases, including occupancy costs, are as follows:

2017-18	\$	604,768
2018-19		580,518
2019-20		579,723
2020-21		578,954
2021-22		548,105
2022-27		1,267,153
Total	\$	<u>4,159,221</u>

Leases that constitute equipment rental agreements are classified as operating expenses. Equipment rental agreements represent copiers for office use. Below are the equipment operating leases for LCOG as of June 30, 2017.

Indirect – Canon Ricoh MPC5502A: Lease agreement calls for a \$291 payment on a monthly basis for a total cost of \$3,492 for the year ending June 30, 2017. The lease ended June 30, 2017.

Govt Services-Canon Ricoh MP7502: Lease agreement calls for a \$341 payment on a monthly basis at a total cost of \$4,092 for the year ending June 30, 2017.

Total copier expense LCOG paid on these copier leases, excluding maintenance and supplies, for the year ending June 30, 2017 was \$ 7,584.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 13 – OPERATING LEASES, Continued

At June 30, 2017, the approximate future minimum rental commitments under operating leases are as follows:

2017-18	\$	4,589
2018-19		3,147
2019-20		3,147
2020-21		3,147
2021-22		3,147
2022-27		262
Total	\$	<u>17,438</u>

NOTE 14 – RISK MANAGEMENT

LCOG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. LCOG reports its risk management activities in its General Fund. LCOG purchases commercial insurance from independent third parties and by participation in the City/County Insurance Services Trust (CIS) - a liability risk sharing pool for general and automobile liability and workers' compensation. CIS was established in 1981 by the League of Oregon Cities (LOC) and the Association of Oregon Counties (AOC) to provide risk management services including insurance and loss control to member entities. CIS is a governmental entity and works exclusively for the benefit of Oregon cities and counties. CIS's primary objective is to aggregate the collective buying power of its members to reduce and stabilize the cost of funding those risks. The pool insures members up to a pre-set limit.

Member rates are set based on experience and LCOG is potentially liable for a pro rata share of pool losses or eligible for a pro rata share of pool net income. In the event that a single loss or series of losses should exceed the amount of protection afforded by the pool or other insurance carried by CIS, then payment of losses is the obligation of the individual member against whom the claim(s) were made. Premiums paid into the pool are recognized as expenditure when paid. The amount of any future claims or refunds cannot be ascertained. During the last three years, settled claims from all risks have not exceeded commercial insurance coverage. The excess cyber liability coverage was \$250,000 maximum per occurrence in FY16 and \$200,000 in FY17 due to insurance provider coverage selection changes from the prior year.

Workers compensation insurance is purchased under a retrospective rate plan with the final cost depending on the claims.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 14 – RISK MANAGEMENT, Continued

In addition, LCOG is self-insured for unemployment claims as follows:

	Year Ended June 30	
	2016	2017
<u>Unemployment Claims</u>		
Unpaid claims, beginning of year	\$ 6,605	\$ 10,045
Incurred claims	49,320	63,589
Claims payments	<u>(45,880)</u>	<u>(63,294)</u>
Unpaid claims, end of year	<u>\$ 10,045</u>	<u>\$ 10,340</u>

Liabilities are reported when the amount of the claims can be reasonably estimated.

NOTE 15 – PENSION PLAN

A. Name of Pension Plan

LCOG is a participating employer in the Oregon Public Employees Retirement System (PERS) a cost-sharing multiple-employer defined benefit and defined contribution pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. The Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP) Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. PERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

B. Plan Description/Description of Benefit Terms

Plan Benefits

All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A.

1. Tier One/Tier Two Retirement Benefit Plan (ORS Chapter 238)

a. Pension Benefits

The PERS Pension Benefit may be selected from 13 retirement benefit options which include survivorship benefit options and lump-sum refunds. The basic benefit is based on years of service and final average salary. A factor of 1.67 percent is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members contributing before August 21, 1981) or a money match computation if a greater benefits results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 15 – PENSION PLAN, Continued

participating employer. Employees may retire after reaching age 55, however, Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service; general service employee benefits are reduced if retirement occurs prior to age 60 with fewer than 30 years of service. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

b. Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's Tier One/Tier Two account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following contributions are met:

- Member was employed by PERS employer at the time of death,
- member died within 120 days after termination of PERS covered employment,
- member died as a result of injury sustained while employed in a PERS-covered job, or
- member was on an official leave of absence from a PERS-covered job at the time of death.

c. Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

d. Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes.

2. Oregon Public Service retirement Plan (OPSRP) Pension Program (ORS Chapter 238A)

a. Pension Benefits

The OPSRP Pension Program provides benefits a defined benefit to members hired on or after August 29, 2003. The OPSRP provides a life pension funded by employer contributions.

General Service benefits are calculated with the following formula for members who attain normal retirement age: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 15 – PENSION PLAN, Continued

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the Pension Program is terminated, the date on which termination becomes effective.

b. Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives, for life, 50 percent of the pension that would otherwise have been paid to the deceased member.

c. Disability Benefits

A member who has accrued 10 or more years of retirement credit before the member becomes disabled or a member who becomes disabled due to job-related injury, shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

d. Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and .15 percent of annual benefits above \$60,000.

3. Individual Account Program (IAP)

a. Historical

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003. The new plan consists of the defined benefit pension plan and a defined contribution plan (the Individual Account Program or IAP). Beginning January 1, 2004, all Tier One/Tier Two member contributions go into the IAP. PERS' members retain their existing PERS member accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS Tier One/Tier Two account. Members of PERS and OPSRP are required to contribute six percent of their salary covered under the plan in to the IAP. LCOG makes this contribution on behalf of its employees.

b. Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 15 – PENSION PLAN, Continued

equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

c. Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

d. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

C. Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the Defined Benefit Plans and the Other Post-employment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. LCOG's actuarially determined contribution rate for the Tier One/Tier Two and OPSRP plans was 17.12 percent and 10.94 percent of subject payroll, respectively. Employer contributions recognized by PERS for the year ended June 30, 2017, were \$1,438,439.

In addition, all PERS members must make a member contribution in the amount of 6% of covered salary. These member contributions go into the IAP. LCOG makes the 6% IAP member contribution on behalf of its employees which totaled approximately \$657,960 in FY17.

D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, LCOG reported a net pension liability of \$18,408,381 for its proportionate share of the net pension liability. LCOG's proportion of the net pension liability measured as of June 30, 2016, and the total pension liability was based on a projection of LCOG's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, LCOG's proportion was 0.122622 percent, which was changed from its proportion measured as of June 30, 2015 of 0.115787 percent.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 15 – PENSION PLAN, Continued

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 609,030	\$ -
Changes of assumptions	3,926,065	-
Net difference between projected and actual earnings on investments	3,636,724	-
Changes in proportionate share	594,500	202,079
Differences between employer contributions and employer's proportionate share of system contributions	159,177	271,718
LCOG contributions subsequent to measurement date	1,454,150	-
Total	<u>\$ 10,379,646</u>	<u>\$ 473,797</u>

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Deferred Inflows	Deferred Inflows
2018	1,839,049	(83,947)
2019	1,839,049	(83,947)
2020	3,504,797	(159,983)
2021	2,768,734	(126,384)
2022	428,017	(19,536)
	<u>\$ 10,379,646</u>	<u>\$ (473,797)</u>

E. Actuarial Assumptions

The employer contribution rates effective July 1, 2013 through June 30, 2017, and effective July 1, 2016 through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 15 – PENSION PLAN, Continued

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31, 2014
Measurement date	June 30, 2016
Experience Study	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent
Investment rate of return	7.50 percent
Projected salary increases	3.50 percent
Mortality	<i>Healthy retirees and beneficiaries:</i> RP-200 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. <i>Active members:</i> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. <i>Disabled retirees:</i> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

F. Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan is invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 15 – PENSION PLAN, Continued

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	21.5%	17.5%
Real estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	36.10%
Bank/Leveraged loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.30%	6.99%
Micro cap US equities	1.30%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US small cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge fund of funds - diversified	2.50%	4.64%
Hedge fund - event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	100.00%	
Assumed Inflation - Mean		2.50%

For more information on the Plan's portfolio, assumed asset allocation and long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means see PERS' audited financial statements at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 15 – PENSION PLAN, Continued

G. Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

H. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for the PERS Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments for the PERS Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

I. Sensitivity of LCOG's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents LCOG's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what LCOG's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 15 – PENSION PLAN, Continued

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
LCOG's proportionate share of the net pension liability	\$ 29,723,397	\$ 18,408,381	\$ 8,951,007

J. Changes in Plan Provisions During the Measurement Period

At its September 25, 2015 meeting, the PERS Board directed its actuary to reduce the assumed rate of return on investments from 7.75 percent to 7.50 percent for the 2014 System valuation. The new assumed rate became effective for Tier One earnings crediting in calendar year 2016 and was used as the basis for updated actuarial equivalency factors effective January 1, 2016.

Changes in actuarial methods and assumptions implemented since the December 31, 2013 valuation are described in the 2014 Experience Study (Study), published September 2015.

Changes in assumptions from that Study are reported in the table of actuarial methods and assumptions, modifications to the allocation of actuarial accrued liabilities, administrative expense assumptions, healthcare cost inflation, and mortality tables can be found in the Study at: <http://www.oregon.gov/PERS/Documents/Financials/Actuary/2015/Experience-Study.pdf>.

K. Changes in Plan Provisions Subsequent to the Measurement Date

At its July 28, 2017 meeting, the PERS Board lowered the assumed earning rate from 7.5% to 7.2%, adding \$2.1 billion to the System's unfunded liability.

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

Although not required by state law, LCOG offers retired employees who were hired before July 1, 2014, continuance of their medical, vision and dental insurance coverage by retirees paying 100% of the premium direct to the insurance provider. The level of benefits provided by the plans are the same as those afforded to active employees. Coverage is provided to retirees, spouses, and domestic partners until they become eligible for Medicare, typically age 65, and to eligible dependents until age 26, establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. Due to the effect of age, retiree claim costs are generally higher than claim costs for all members as a whole. The difference between retiree claims costs and the amount of retiree healthcare premiums represents LCOG's implicit employer contribution.

B. Funding Policy

LCOG has the authority to establish and amend contribution requirements. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ending June 30, 2017, LCOG's combined plan contributions were \$75,762. At June 30, 2017, six retired employees were availing themselves of the insurance benefit and 136 active employees are potentially eligible for the benefit.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

C. Annual OPEB Cost and Net OPEB Obligation

LCOG's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Tables located in required supplementary information show the components of LCOG's annual OPEB cost for the fiscal year ending June 30, 2017, the implicit benefit payments (contributions made), and changes in LCOG's net OPEB obligation and LCOG's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2017 and the preceding two years. These long-term liabilities are liquidated by LCOG's general fund.

D. Annual OPEB Cost and Net OPEB Obligation

LCOG's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Tables located in required supplementary information show the components of LCOG's annual OPEB cost for the fiscal year ending June 30, 2017, the implicit benefit payments (contributions made), and changes in LCOG's net OPEB obligation and LCOG's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2017 and the preceding two years.

E. Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$401,917 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$401,917. For the fiscal year ending June 30, 2017, LCOG has set aside \$0 to pay for future post-employment benefits for retired employees. The covered payroll was \$11,043,502 and the ratio of the UAAL to the covered payroll was 3.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members up to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The July 1, 2014 actuarial valuation for the healthcare plan was based on the entry age normal. The actuarial assumptions included an investment return of 4.0%. The healthcare plan actuarial valuation included a healthcare cost inflation trend rate of 7.0% in the first year, 6.5% in the second year, 6.4% in the third year, 6.3% for the 4th year, dropping by 0.1 for the 15 years thereafter. The unfunded actuarially accrued liability and the gains and losses for both plans are amortized as a level dollar amount over an open period of 15 years. Actuarial evaluations are completed on every odd year.

NOTE 17 – BUILDING - PARK PLACE

Total income consists of rental revenue and occupancy revenue. Rental Income is charged to agencies renting available retail space in owned buildings. Such rents are considered third party activity. LCOG distinguishes any rent charged on space that is administrative space as occupancy revenue.

Occupancy space is identified as the fourth and fifth floors and part of the garden level of the Park Place Building totaling 17,780 square feet (17,107 fourth and fifth floors; 673 WIX). All other space is retail space. Retail space is the Garden level, first, second, third, and fourth floors of the Park Place Building. At year ending June 30, 2017, there are eighteen retail and office tenants with various lease terms and expiration dates, with lease amounts ranging from approximately \$250 to \$9,239 per month. The estimated rental income for FY18 will be \$580,943 from third party tenants, and \$357,093 from LCOG occupancy for a total of \$938,036.

NOTE 18 – INDIRECT CHARGES (OVERHEAD)

Indirect costs are budgeted and actual costs are allocated and recovered from all applicable grants, contracts, and agreements based on a negotiated fixed rate percentage applied to the sum of actual direct labor and fringe costs incurred. The annual budget and the calculations of the fixed rate percentage are reviewed, negotiated, and approved annually by LCOG's designated cognizant agency - the Oregon Department of Transportation (ODOT).

The Indirect Cost Allocation Plan (ICAP) is prepared and submitted to ODOT in accordance with procedures of the Office of Management and Budget, 2 CFR Part 225, *Cost Principles for State and Local, and Indian Tribal Governments (OMB Circular A-87)*. Rates are negotiated by LCOG and ODOT according to the authority contained in *Appendix C, Section D.2 of 2 CFR Part 225*.

Rates approved by ODOT in effect July 1, 2016 through June 30, 2017 are as follows:

Planning, Transportation Services	22.2590%
Business Programs	27.7950%
Telecommunications	32.4350%
Senior and Disability Services	11.1260%

There is no carry forward calculation included in the FY17 rate. Carry forward is the difference between the budgeted indirect and actual indirect costs for the period. This carry forward or loss in recovery is recorded as a cost in the next cost plan year proposal (for example, cost difference in FY17 will be a cost in the FY19 plan proposal, if any).

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 18 – INDIRECT CHARGES (OVERHEAD), Continued

Indirect costs are excluded in the consolidation of the government-wide statements and all other accompanying financial statements. (Internal charges are not excluded – interfund services provided by and used between services is noted in all financial statements. For more detail on transfers, see Interfund Receivables, Payables, Advances and Transfers Note.

Indirect Costs Recovered	\$ 2,317,565
FY17 Indirect Costs	2,255,938
(Under)/Over Recovered Indirect Costs	<u>\$ 61,627</u>

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year ending June 30, 2017:

Governmental Funds	General Fund	Telecommunications	Grants & Contracts	Total Government
Fund balances, beg of year (modified basis)	\$ 465,530	\$ 1,721,752	\$ 3,354,973	\$ 5,542,255
Telecommunication Fund to Grants & Contract (Metro TV)	-	(48,542)	48,542	-
Prior period adjustments:				
To remove compenstated absences from fund report	704,337	-	-	704,337
To correct for AR adjustment	(6,060)	-	-	(6,060)
Total prior period adjustments	698,277	(48,542)	48,542	698,277
Fund balances, beg of year, restated (modified accrual basis)	<u>\$ 1,163,807</u>	<u>\$ 1,673,210</u>	<u>\$ 3,403,515</u>	<u>\$ 6,240,532</u>

Governmental Activities

Net Position, beginning of year	9,068,207
Telecommunication Fund to Grants & Contracts (Metro TV)	-
To correct for AR adjustment	(6,060)
Total prior period adjustments	<u>\$ (6,060)</u>
Net position, beg of year, restated	<u>\$ 9,062,147</u>

Proprietary Funds	Park Place Bldg	Loan Program	Minutes Recording	Economic Development	Total Proprietary
Net position, beg of year	\$ 2,325,566	\$ 3,005,796	\$ 51,224	\$ 4,928	\$ 5,387,514
Prior period adjustments:					
To correct for expensing of refinance fees	(45,377)				(45,377)
To correct cash held by others to actual	(26,125)				(26,125)
To correct for error in equity balance		(270)			(270)
Total prior period adjustments	(71,501)	(270)	-	-	(71,771)
Net position, beg of year, restated	<u>\$ 2,254,065</u>	<u>\$ 3,005,526</u>	<u>\$ 51,224</u>	<u>\$ 4,928</u>	<u>\$ 5,315,743</u>

The cumulative effect of prior period restatements, due to errors, is a net decrease of \$77,831 government-wide.

Lane Council of Governments
Notes to the Financial Statements
June 30, 2017

NOTE 20 – NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) (Issued 6/2015)

This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. GASB Statement No. 75 will be effective for LCOG fiscal year ending June 30, 2018.

GASB Statement No. 82, Pension Issues (Issued 4/2016)

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. The requirements of this statements are effective for LCOG for the fiscal year ending June 30, 2018.

GASB Statement No. 86, Certain Debt Extinguishment Issues (Issued 5/2017)

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trusts hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent period, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists. The requirements of these statements are effective for LCOG for the fiscal year ending June 30, 2018.



This page left intentionally blank

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:

- General Fund
- Telecommunications
- Grants and Contracts

Schedule of the Proportionate Share of the Net Pension Liability – Public Employee Retirement System

Schedule of Contributions – Public Employee Retirement System

Schedule of Funding Progress and Employer Contributions – Other Post-Employment Benefits

Schedule of Employer Contributions - Other Post-Employment Benefits

Other Post-Employment Benefits Schedule

Notes to the Required Supplementary Information

Lane Council of Governments
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Adopted Budget	Revised Budget	Actual	Variance- Positive (Negative)
Revenues:				
Local sources:				
Member dues	\$ 197,197	\$ 211,270	\$ 211,946	\$ 676
Other local sources	56,554	63,490	63,869	379
Total local revenues	253,751	274,760	275,815	1,055
Expenditures:				
General services:				
Personal services	298,936	395,191	305,461 (a)	89,730
Materials and services	178,668	88,944	116,224	(27,280)
Capital outlay	4,827	4,827	-	4,827
Total expenditures	482,431	488,962	421,685	67,277
Revenues over (under) expenditures	(228,680)	(214,202)	(145,870)	68,332
Other financing sources (uses):				
Transfers In	16,000	87,545	4,622 (b)	(82,923)
Transfers Out	(17,099)	(6,099)	(6,365)	(266)
Total other financing sources (uses)	(1,099)	81,446	(1,743)	(83,189)
Change in fund balance	(229,779)	(132,756)	(147,613)	(14,857)
Fund balance, beginning of year	947,459	459,470	465,530	6,060
Prior period adjustment	-	-	698,277	698,277
Fund balance, beginning of year, as restated	947,459	459,470	1,163,807 (c)	704,337
Fund balance, end of year at 6/30/17	<u>\$ 717,680</u>	<u>\$ 326,714</u>	<u>\$ 1,016,194 (d)</u>	<u>\$ 689,480</u>

This statement includes the LCOG Operating and Member Support Services funds.

(a) Personal services actuals included increase in compensated absences liabilities in the budget.

(b) Transfer to Park Place Building that was budgeted and not required.

(c) The beginning fund balance was increased by prior period adjustment for compensated absences \$704,337 and offset by (\$6,060) for adjustment to receivables.

(d) In FY16, the Board updated the General Fund contingency account policies. These Board commitments are:

Operating - \$337,154 (FY16- \$326,714) and Building/Capital Outlay - \$260,000 (\$130,966 moved to Park Place Bldg in FY17.

Lane Council of Governments
Special Revenue Funds - Telecommunications
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Adopted Budget	Revised Budget	Actual	Variance - Positive (Negative)
Revenues:				
Federal and state revenue	\$ -	\$ 345,000	\$ -	(a) \$ (345,000)
Local sources	1,614,626	2,013,501	1,844,232	(169,269)
Rental income	-	24,000	46,688	22,688
Total revenues	1,614,626	2,382,501	1,890,920	(491,581)
Expenditures:				
Technology Services:				
Personal services	247,311	262,209	254,014	8,195
Support services	80,216	84,154	82,392	1,762
Materials and services	391,095	746,443	415,664	330,779
Capital outlay	-	350,000	319,355	30,645
Services by other organizations	970,803	1,643,238	706,648	(b) 936,590
Total expenditures	1,689,425	3,086,044	1,778,073	1,307,971
Revenues over (under) expenditures	(74,799)	(703,543)	112,847	816,390
Other financing sources (uses):				
Transfers In	92,672	883,134	62,450	(b) (820,684)
Transfers Out	(96,643)	(913,349)	(102,034)	(b) 811,315
Total other financing (uses)	(3,971)	(30,215)	(39,584)	(9,369)
Change in fund balance	(78,770)	(733,758)	73,263	807,021
Fund balance, beginning of year	1,602,489	1,664,593	1,673,211	8,618
Fund balance, end of year at 6/30/17	<u>\$ 1,523,719</u>	<u>\$ 930,835</u>	<u>\$ 1,746,474</u>	(c) <u>\$ 815,639</u>

This special revenue fund is presented separate from the remaining special revenue funds (see next page) in that the basis of telecommunication services provided our customers is non contract and non grant based services.

(a) Federal EDA grant \$345,000 that was not received in FY 17.

(b) Transfer of \$840,462 from telecommunications

(c) Fund balance includes a reserve set aside for telephone system maintenance and improvements of \$1,206,051 and Public Agency Network funds of \$255,257.

Lane Council of Governments
Special Revenue Funds – Grants and Contracts
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Adopted Budget	Revised Budget	Actual	Variance - Positive (Negative)
Revenues:				
Federal and state grants and contracts	\$ 19,301,631	\$ 19,573,746	\$ 19,327,141	\$ (246,605)
Local sources	7,070,317	6,602,742	6,355,315	(247,427)
Total revenues	26,371,948	26,176,488	25,682,456	(494,032)
Expenditures:				
Government services:				
Personal services	2,429,552	2,643,374	2,684,263	(40,889)
Support services	558,163	593,018	595,218	(2,200)
Materials and services	2,220,736	1,512,241	925,455	586,786
Capital outlay	-	-	7,834	(7,834)
Sub total: Government Services	5,208,451	4,748,633	4,212,770	535,863
Senior and Disability services:				
Personal services	13,808,215	14,243,179	14,149,390	93,789
Support services	1,536,348	1,576,906	1,576,906	-
Materials and services	4,938,372	5,082,885	4,912,792	170,093
Capital outlay	45,000	95,000	80,878	14,122
Services by other organizations	1,272,618	1,076,343	1,015,685	60,658
Sub total: Senior & Disability Services	21,600,553	22,074,313	21,735,651	338,662
Total expenditures	26,809,004	26,822,946	25,948,421	874,525
Revenues over (under) expenditures	(437,056)	(646,458)	(265,965)	380,493
Other financing sources (uses):				
Transfers In	3,604,444	2,908,390	3,106,055	197,665
Transfers Out	(3,599,374)	(2,876,726)	(3,063,639)	(186,913)
Total other financing sources or uses	5,070	31,664	42,416	10,752
Change in fund balance	(431,986)	(614,794)	(223,549)	391,245
Fund balance, beginning of year	2,949,566	3,402,350	3,403,515	1,165
Fund balance, end of year at 6/30/17	\$ 2,517,580	\$ 2,787,556	\$ 3,179,966	\$ 392,410

This special revenue fund includes Government Services (Planning and Transportation) and Senior & Disabled Services. Funds in this statement are contract and grant based services. It excludes telecommunication services (see separate statement) which are contract or grant based services.

Fund Balance - Planning/Transportation	\$ 537,719	\$ 583,765	\$ 855,417	\$ 271,652
Fund Balance - Senior & Disability	\$1,979,861	\$2,203,791	\$ 2,324,549	\$ 120,758

Lane Council of Governments
Schedule of the Proportionate Share of the Net Pension Liability
and Schedule of Contributions

For the Fiscal Year Ended June 30, 2017

Year	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.1226 %	\$ 18,408,381	\$ 10,176,173	180.9 %	80.5 %
2016	0.1116	6,406,247	9,559,449	67.0	91.9
2015	0.1268	(2,874,427)	8,826,685	(32.6)	103.6
2014	0.1268	6,471,313	8,838,698	73.2	92.0

The amounts presented for each fiscal year were for the measurement period reported during the fiscal year, which for 2017 is July 1, 2015 - June 30, 2016.

10-year trend information required by GASB will be presented prospectively.

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2017	\$ 1,454,150	\$ 1,454,150	\$ -	\$ 11,043,502	13.2 %
2016	1,322,647	1,322,647	-	10,176,173	13.0
2015	1,122,589	1,122,589	-	9,559,449	11.7
2014	994,089	994,089	-	8,826,685	11.3

10-year trend information required by GASB will be presented prospectively.

Lane Council of Governments
Schedule of Funding Progress and Employer Contributions
Other Post-Employment Benefits Schedule
For the Fiscal Year Ended June 30, 2017

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
8/1/2010	NA	NA	NA	NA	NA	NA
8/1/2012	NA	NA	NA	NA	NA	NA
8/1/2014	-	567,748	567,748	0.0%	10,176,173	5.6%
7/1/2016	-	401,917	401,917	0.0%	11,043,502	3.6%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year	Annual Required Contribution	Percentage Contributed
2017	75,762	47.1%
2016	116,643	38.8%
2015	NA	NA

The above table presents the most recent actuarial valuations for LCOG's post-retirement health insurance and it provides information that approximates the funding progress of the plan.

Lane Council of Governments
Other Post-Employment Benefits Schedule
For the Fiscal Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>
Annual Required Contribution	\$ 75,762	\$ 116,643
Interest on Net OPEB Obligation	2,500	-
Adjustment to Annual Required Contribution	<u>(8,588)</u>	<u>-</u>
Annual OPEB Cost (expense)	69,674	116,643
Contributions Made	<u>(32,782)</u>	<u>(45,224)</u>
Increase in Net OPEB Obligation	36,892	71,419
Net OPEB Obligation, beginning of Year	<u>71,419</u>	<u>-</u>
Net OPEB Obligation, end of Year	<u><u>\$ 108,311</u></u>	<u><u>\$ 71,419</u></u>
Percentage of annual OBEP Cost Contributed	47.1%	38.8%

Lane Council of Governments
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Note 1 – Basis of Budgeting

Reconciliation –General Fund Net Position to Budgetary Fund Balance:

May 12, 2012, an interfund loan of \$418,000 was made from LCOG's General Fund to the Enterprise Fund – Park Place Building. This loan is classified as a due from the building management fund and a due to General Fund in the basic financial statements in the General Fund and Enterprise Funds, respectively.

The yearly loan payment on this interfund loan in the amount of \$41,481 is recorded as a debt payment by the Building management fund and revenue by LCOG's General Fund on the budgetary basis. This payment is recorded as a reduction of the due to/from other funds (internal balance) in the basic financial statements.

Reconciliation of General Fund net position to General Fund budgetary statement fund balance is as follows:

Budgetary Fund Balance - General Fund 6/30/17	\$ 1,016,194
Less: Interfund loan revenue	<u>(41,481)</u>
Fund Balance - General Fund (Modified Accrual), 6/30/17	<u>\$ 974,713</u>

Reconciliation –Grants and Contracts Fund Net Position to Budgetary Fund Balance:

Indirect fund carryover fund balance in the amount of \$61,627 is only reflected in the *All Organizational Units- Schedule of Resources and Requirements – Budget and Actual* (On a Budgetary Basis) within the Other Information Section of the comprehensive financial statement document.

In accordance with LCOG's budget, each fund provides a contribution to the Indirect fund reflects the support services expenditures associated with indirect fund contributions in each of the appropriate respective *Schedule of Resources and Requirements – Budget to Actual* (On a Budgetary Basis) Schedule, which are eliminated in the *All Organizational Units- Schedule of Resources and Requirements – Budget and Actual* (On a Budgetary Basis).

Reconciliation of Grants and Contracts Fund Statement fund balance to Grants and Contracts Budgetary statement fund balance is as follows:

Budgetary Fund Balance - Grants and Contracts 6/30/17	\$ 3,179,966
Add: Indirect carryover	<u>61,627</u>
Fund Balance - Grants and Contracts (Modified Accrual), 6/30/17	<u>\$ 3,241,593</u>

Lane Council of Governments
Notes to the Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2017

Reconciliation -Proprietary Fund Net Positon to Budgetary Fund Balance:

May 12, 2012, an interfund loan of \$418,000 was made from LCOG's General Fund to the Enterprise Fund – Park Place Building. This loan is classified as a due from the building management fund and a due to General Fund in the basic financial statements in the General Fund and Enterprise Funds, respectively.

The yearly loan payment on this interfund loan in the amount of \$41,481 is recorded as a debt payment by the building management fund and revenue by LCOG's General Fund on the budgetary basis. This payment is recorded as a reduction of the due to/from other funds (internal balance) in the basic financial statements.

Reconciliation of proprietary funds net position to Enterprise funds budgetary statement fund balance is as follows:

Budgetary Fund Balance - Enterprise Funds, 6/30/17			\$ 2,656,733
Cumulative Differences from Prior Fiscal Year(s)			2,947,959
Full Accrual to Budgetary Basis Differences- Current Fiscal Year:			
<u>Building Maintenance Fund</u>			
Debt Principal Paid	136,102		
Capital Outlay	60,060		
Depreciation	(310,506)		
Net change in accrual of Interest expense - prior to current fiscal year	<u>(7,673)</u>	(122,017)	
<u>Loan Programs Fund</u>			
Debt Principal Paid	105,539		
Loans Funded	600,000		
Loan Principal Payment Received	<u>(588,432)</u>	<u>117,107</u>	
Total Difference Budget to Full Accrual Basis - Current Fiscal Year			<u>(4,910)</u>
Net Position - Proprietary Funds (Full Accrual Basis), 6/30/17			<u><u>\$ 5,599,782</u></u>



This page left intentionally blank

SUPPLEMENTARY INFORMATION

Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:

- Enterprise Funds

Schedules of Resources and Requirements – Budget and Actual (Budgetary Basis):

- All Organizational Units
- General Fund
- Government Services
- Senior and Disability Services
- Enterprise Funds

Intermediary Relending Program:

- Statement of Net Position – Intermediary Relending Program
- Schedule of Revenues, Expenses, and Changes in Net Position - Intermediary Relending Program

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Lane Council of Governments
Enterprise Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balance- Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Adopted Budget	Revised Budget	Actual	Variance Over (Under)
Revenues:				
Federal and state grants and contracts	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Local sources	1,766,852	1,881,880	2,002,934 (a)	121,054
Total revenues	1,941,852	2,056,880	2,177,934	121,054
Expenditures:				
Loan Program:				
Personal services	191,630	191,959	196,046	(4,087)
Support services	53,263	53,263	54,491	(1,228)
Materials and services	6,000	2,000	2,768	(768)
Loans made (services by others)	1,050,000	825,000	600,000	225,000
Debt service	121,507	121,507	122,172	(665)
Sub-total: Loan Program	1,422,400	1,193,729	975,477	218,252
Building Program:				
Personal services	6,282	6,282	7,366	(1,084)
Support services	1,746	1,746	2,047	(301)
Materials and services	499,000	499,000	426,228	72,772
Capital outlay	-	73,240	60,060	13,180
Debt service	453,073	332,937	332,945 (a)	(8)
Sub-total: Building Program	960,101	913,205	828,646	84,559
Economic Development & Minutes Recorder Programs:				
Personal services	26,254	26,254	19,175	7,079
Support services	7,298	7,298	5,330	1,968
Materials and services	40,941	40,941	59,267	(18,326)
Sub-total: Economic Development/Min Recorder	74,493	74,493	83,772	(9,279)
Total expenditures	2,456,994	2,181,427	1,887,895	293,532
Revenues over (under) expenditures	(515,142)	(124,547)	290,039	414,586
Other financing sources (uses):				
Transfers In	48,118	105,813	109,030	3,217
Transfers Out	(48,118)	(188,708)	(110,118)	78,590
Total other financing sources or uses	-	(82,895)	(1,088)	81,807
Change in fund balance	(515,142)	(207,442)	288,951	496,393
Fund balance, beginning of year	1,842,857	2,421,597	2,421,867	270
Prior period adjustment	-	-	(54,085) (b)	(54,085)
Fund balance, beginning of year, as restated	1,842,857	2,421,597	2,367,782	(53,815)
Fund balance, end of year at 6/30/17	\$ 1,327,715	\$ 2,214,155	\$ 2,656,733 (c)	\$ 442,578

(a) Detail of the actual local revenue is Loan Programs - \$970,318; Building Programs - \$913,363; Economic Development - \$34,742; Minutes Recorder - \$84,511.

(b) The beginning fund balance was decreased by prior period adjustments for financing fees, cash held by others and accruals of debt interest error corrections.

(c) Fund balance: Loan Program - \$2,302,254; Bldg Programs - \$272,464; Economic Development - \$1,448; Minutes Recorder - \$80,567. The Board committed capital outlay reserve is \$130,966.

Lane Council of Governments
All Organizational Units
Schedule of Resources and Requirements
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Adopted Budget	Revised Budget	Actual	Variance
Resources:				
Federal and state	\$ 19,476,631	\$ 20,093,746	\$ 19,502,141 (a)	\$ (591,605)
Local sources	10,508,349	10,561,613	10,266,351	(295,262)
Member dues	197,197	211,270	211,946	676
Rental income	-	24,000	46,688	22,688
Transfers In	3,761,234	3,984,882	3,282,156 (b)	(702,726)
Beginning reserves	7,342,371	7,948,009	8,608,315 (c)	660,306
Total resources	41,285,782	42,823,520	41,917,597	(905,923)
Requirements:				
Personal services**	18,305,052	19,071,242	18,881,398	189,844
Materials and services**	9,214,974	8,986,044	7,807,472 (d)	1,178,572
Capital outlay	49,827	523,067	508,127	54,940
Loans made	1,050,000	825,000	600,000	225,000
Services by other organizations	2,243,421	2,719,581	1,722,333 (b)	997,248
Debt service	574,580	454,444	455,117	(673)
Transfers Out	3,761,234	3,984,882	3,282,156 (b)	702,726
Total requirements	35,199,088	36,564,260	33,256,603	3,347,657
Ending reserves	\$ 6,086,694	\$ 6,259,260	\$ 8,660,994	\$ 2,340,107
Total Resources less Transfers In	\$ 37,524,548	\$ 38,838,638	\$ 38,635,441	\$ (203,197)
Total Requirements less Transfers Out	31,437,854	32,579,378	29,974,447	\$ 2,604,931
	\$ 6,086,694	\$ 6,259,260	\$ 8,660,994	
Reserves by Fund:				
General Fund			\$ 1,016,194	
Indirect Cost Fund			61,627	
Special Revenue Funds			4,926,440	
Enterprise Funds			2,656,733	
Reserves as of 6/30/17			\$ 8,660,994	

(a) Federal and state revenues were overprojected for Transportation Operations, WIX and Senior and disability services.

(b) Telecommunications budgeted for \$840,462 for the new telephone system through reserve transfers.

(c) Beginning reserve actuals - General fund increased by \$704,337 with elimination of compensated absences liability and Enterprise funds (\$53,815) for financing fees, cash held by others, and accrual of debt interest corrections.

(d) Transportation Operations/WIX/S&DS Funds materials and services- underspent contract services by \$463,443, \$338,193, and \$170,093 respectively.

** At the All Organizational level, support services costs are indirect charges which consist of Administrative Services personal services and materials and services expenses. In this statement we are reporting these costs in the line item Personal services and Materials and services for transparency purposes and not as "support services" costs. This All Organizational Unit statement reflects the legal level of budgetary control.

Lane Council of Governments
General Fund
Schedule of Resources and Requirements
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Adopted Budget	Revised Budget	Actual	Variance
Resources:				
Member dues	\$ 197,197	\$ 211,270	\$ 211,946	\$ 676
Other local sources	56,554	63,490	63,869	379
Transfers In - from Member Support Services	16,000	5,000	4,622	(378)
Transfers In - from Direct subfunds	-	82,545	- (a)	(82,545)
Beginning Reserves	947,459	459,470	1,163,807 (b)	704,337
	<u>1,217,210</u>	<u>821,775</u>	<u>1,444,244</u>	<u>622,469</u>
Total resources				
Requirements:				
Personal services	298,936	395,191	305,461 (c)	89,730
Materials and services	178,668	88,944	116,224 (d)	(27,280)
Capital outlay	4,827	4,827	-	4,827
Transfers Out - to Member Support Services	16,000	5,000	4,622	378
Transfers Out - to Direct subfunds	1,099	1,099	1,743	(644)
	<u>499,530</u>	<u>495,061</u>	<u>428,050</u>	<u>67,011</u>
Total requirements				
Ending reserves	<u>\$ 717,680</u>	<u>\$ 326,714</u>	<u>\$ 1,016,194</u>	<u>\$ 689,480</u>

(a) Transfer of \$82,545 from Park Place Building that was budgeted was not required.

(b) The beginning fund balance was increased by prior period adjustment for compensated absences \$704,337.

(c) Personal services actuals included increase in compensated absences liabilities in the budget.

(d) Includes \$27,893 (one-time) miscellaneous expense for HRA/FSA adjustment to correct.

Lane Council of Governments
Government Services
Schedule of Resources and Requirements
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Adopted Budget	Revised Budget	Actual	Variance
Resources:				
Federal and state	\$ 1,560,550	\$ 2,008,145	\$ 1,527,328 (a)	\$ (480,817)
Local sources	5,286,368	5,102,500	4,792,921 (a)	(309,579)
Rental income	-	24,000	46,688 (a)	22,688
Transfers In	938,718	1,748,160	1,122,682 (b)	(625,478)
Beginning reserves	2,111,297	2,213,182	2,222,966	9,784
	<u>9,896,933</u>	<u>11,095,987</u>	<u>9,712,585</u>	<u>(1,383,402)</u>
Total resources				
Requirements:				
Personal services	2,676,863	2,905,582	2,938,277	(32,695)
Support services	638,379	677,172	677,610	(438)
Materials and services	2,611,831	2,258,684	1,341,119 (c)	917,565
Capital outlay	-	350,000	327,189	22,811
Services by other organizations	970,803	1,643,238	706,648 (b)	936,590
Transfers Out	937,619	1,746,711	1,119,851 (b)	626,860
	<u>7,835,495</u>	<u>9,581,387</u>	<u>7,110,694</u>	<u>2,470,693</u>
Total requirements				
Ending reserves	<u>\$ 2,061,438</u>	<u>\$ 1,514,600</u>	<u>\$ 2,601,891 (d)</u>	<u>\$ 1,087,291</u>

Included in statement are Government Services - Administration, Planning, Transportation; Telecommunications and Metro TV activities.

(a) Overall net operating revenues were \$788,225 less than estimated. Of this change, Transportation Operations and WIX Fund federal projects were \$412,005 and \$345,000, respectively, less than estimated. Projects and expenditures fluctuate depending on the needs of the agencies served.

(b) Telecommunications budgeted for \$840,462 for the new telephone system \$840,462 through reserve transfers.

(c) Transportation Operations/Wix Funds materials and services- underspent contract services by \$463,443 and \$338,193, respectively.

(d) Ending reserves is Administration - \$67,740; Planning and transportation - \$775,134; Telecommunications - \$1,746,475; and Metro TV - \$12,543.

Lane Council of Governments
Senior and Disability Services
Schedule of Resources and Requirements
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Federal and state	\$ 17,741,081	\$ 17,910,601	\$17,799,813 (a)	\$ (110,788)
Local sources	3,398,575	3,513,743	3,406,627 (a)	(107,116)
Transfers In	2,758,398	2,043,364	2,045,822	2,458
Beginning reserves	<u>2,440,758</u>	<u>2,853,760</u>	<u>2,853,760</u>	<u>-</u>
 Total resources	 <u>26,338,812</u>	 <u>26,321,468</u>	 <u>26,106,022</u>	 <u>(215,446)</u>
Requirements:				
Personal services	13,808,215	14,243,179	14,149,390	93,789
Support services	1,536,348	1,576,906	1,576,906	-
Materials and services	4,938,372	5,082,885	4,912,792 (b)	170,093
Capital outlay	45,000	95,000	80,878	14,122
Services by other organizations	1,272,618	1,076,343	1,015,685	60,658
Transfers Out	<u>2,758,398</u>	<u>2,043,364</u>	<u>2,045,822</u>	<u>(2,458)</u>
 Total requirements	 <u>24,358,951</u>	 <u>24,117,677</u>	 <u>23,781,473</u>	 <u>336,204</u>
 Ending reserves	 <u><u>\$ 1,979,861</u></u>	 <u><u>\$ 2,203,791</u></u>	 <u><u>\$ 2,324,549</u></u> (c)	 <u><u>\$ 120,758</u></u>

Included in statement are Senior & Disabled Services - Title XIX Medicaid, Title III OAA, OPI activities, local grants and contracts.

(a) Revenues were overprojected by \$217,904. OPI Pilot client numbers were less than anticipated, down \$115,283 and S&DS Admin- reduction of personnel costs reduced revenue expected, down \$117,929.

(b) Materials and services was underspent by \$170,093. Senior Meals \$45,294; S&DS Administration \$32,511; Community Programs \$12,719; and Title XIX \$26,782 less than budgeted.

(c) Reserves consist of: Title XIX Medicaid - \$702,066; State revenue - \$16,283; Fundraising monies - \$1,103,148; and Local programs - \$503,052.

Lane Council of Governments
Enterprise Funds
Schedule of Resources and Requirements
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Adopted Budget	Revised Budget	Actual	Variance
Resources:				
Federal and state	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Local sources	1,766,852	1,881,880	2,002,934 (a)	121,054
Transfers In	48,118	105,813	109,030	3,217
Beginning reserves	<u>1,842,857</u>	<u>2,421,597</u>	<u>2,367,782</u> (b)	<u>(53,815)</u>
Total resources	<u>3,832,827</u>	<u>4,584,290</u>	<u>4,654,746</u>	<u>70,456</u>
Requirements:				
Personal services	224,166	224,495	222,587	1,908
Support services	62,307	62,307	61,868	439
Materials and services	545,941	541,941	488,263	53,678
Capital outlay	-	73,240	60,060	13,180
Loans made (external)	1,050,000	825,000	600,000	225,000
Debt service	574,580	454,444	455,117 (a)	(673) (e)
Transfers Out	<u>48,118</u>	<u>188,708</u>	<u>110,118</u> (c)	<u>78,590</u>
Total requirements	<u>2,505,112</u>	<u>2,370,135</u>	<u>1,998,013</u>	<u>372,122</u>
Ending reserves	<u>\$ 1,327,715</u>	<u>\$ 2,214,155</u>	<u>\$ 2,656,733</u> (d)	<u>\$ 442,578</u>

Included in statement are Building- Park Place Program, Economic Development Program, Loans Program, and Minutes Recorder Program.

(a) Principal on business loans was underprojected by \$100,032 and Park Place rental income was underprojected by \$37,249.

(b) Prior period adjustments for financing fees, cash held by others, and accrual of debt interest corrections.

(c) Transfer to General fund of \$82,545 that was budgeted was not required.

(d) Ending reserves consists of Building - Park Place Program - \$272,464; Loan Program - \$2,302,254; Economic Development - \$1,448; Minutes Recorder - \$80,567.

(e) Debt service exceeded budget due to a correction to current fiscal year interest expense of \$17,686. Prior year interest had been accrued, in error, on a budgetary basis.

Lane Council of Governments
Statement of Net Position
Intermediary Relending Program

June 30, 2017

ASSETS

Current assets:

Interest receivable	\$ 1,121
Loans receivable	99,850
Prepaid expense	606
Total current assets	<u>101,577</u>

Noncurrent assets:

Restricted cash and investments	1,895,017
Loans receivable	1,027,716
Allowance for loan losses	<u>(103,425)</u>
Total noncurrent assets	<u>2,819,308</u>

Total assets	<u>2,920,885</u>
--------------	------------------

LIABILITIES

Current liabilities:

Accrued payroll and fringe	446
Accrued interest	8,606
Loans payable	106,001
Total current liabilities	<u>115,053</u>

Noncurrent liabilities:

Long-term debt, net of current maturities	<u>1,509,357</u>
Total noncurrent liabilities	<u>1,509,357</u>

Total liabilities	<u>1,624,410</u>
-------------------	------------------

NET POSITION

Total net position, restricted by the USDA	<u><u>\$ 1,296,475</u></u>
--------------------------------------------	----------------------------

Net position in this fund is restricted by the USDA. This is one of the four business loans programs. This statement is prepared and included in the Annual Financial Report in compliance with USDA financial requirements.

Lane Council of Governments
Schedule of Revenues, Expenses,
And Changes in Net Position
Intermediary Relending Program
For the Fiscal Year Ended June 30, 2017

Operating revenues:	
Loan fees	\$ 1,797
Interest on business loans	76,550
Total operating revenues	<u>78,347</u>
Operating expenses:	
Personal services	55,353
Miscellaneous	101
Total operating expenses	<u>55,454</u>
Operating income	<u>22,893</u>
Non operating revenues (expenses):	
Interest expense	<u>16,522</u>
Total non operating revenues	<u>(16,522)</u>
Net change before transfers	6,371
Transfers out	<u>(36,865)</u>
Change in net position	(30,494)
Fund balance, beginning of year	<u>1,326,969</u>
Total net position, current fiscal year	<u><u>\$ 1,296,475</u></u>

This is one of the four business loans programs. This statement is prepared and included in the Annual Financial Report in compliance with USDA financial requirements.

Lane Council of Governments
Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and investments	\$ 895,735	\$ 441,948	\$ 1,337,683	\$ -
Liabilities:				
Accounts payable	-	903	903	-
Due to other funds	17,048	-	17,048	-
Due to other agencies	<u>878,687</u>	<u>441,045</u>	<u>1,319,732</u>	<u>-</u>
Total liabilities	<u><u>\$ 895,735</u></u>	<u><u>\$ 441,948</u></u>	<u><u>\$ 1,337,683</u></u>	<u><u>\$ -</u></u>

Agency is the four 9-1-1 Public Safety Answering Points (PSAPS). Fund closed FY17.

STATISTICAL SECTION

Financial, Revenue Capacity, Operating Information and Demographic Information

Lane Council of Governments
Statistical Section
For the Fiscal Year Ended June 30, 2017

This Statistical section contains statistical data which relates to LCOG's ongoing operations. It is intended to provide users with a broad and more complete understanding of LCOG and its financial affairs than is possible from only the financial statements and supporting schedules.

In this section, readers will find comparative information related to LCOG's revenue sources, expenditures for the past ten fiscal years and current year FTE/staffing. In contrast to the financial section, the statistical section information is not subject to independent audit.

Index of Tables

Net Position by Components	83-84
Change in Net Position, by Activity	85
Statement of Activities and Changes in Net Position	86-87
Fund Balances – Governmental Funds.....	88-89
Changes in Fund Balances – Governmental Funds.....	90-91
Total Assets by Activity.....	92
Total Resources - All Funds	93
Revenue by Source – Governmental Funds.....	94
Total Revenue, All Funds	95
All Funds Summary: Resources.....	96
All Funds Summary: Requirements.....	97
Member Dues.....	98
Chart: Member Dues.....	99
Net Operating Performance	100
Net Operating Performance by Area.....	101
Fund Balance - All Funds	102
Net Capital Assets by Activity.....	103
Total Population by Jurisdiction	104
Demographic and Economic Statistics	105
Housing – Occupied and Owner Occupied Units	106
Means of Transportation to Work.....	107
Full Time Employee Equivalents for Each Fiscal Year.....	108

Lane Council of Governments
Net Position by Components
For the Fiscal Years Ended June 30, 2008-2017

Fiscal year ended June 30,	2008	2009	2010	2011**	2012**
Governmental activities					
Net investment in capital assets	\$ 194,050	\$ 130,935	\$ 168,596	\$ 520,351 (a)	\$ 2,142,997 (b)
Restricted	2,253,937	2,282,700	1,996,235	3,239,129	3,009,472
Unrestricted	(1,227,714)	(1,998,646)	(1,860,449)	(2,814,846)	(3,280,763)
Total governmental activities net position	<u>1,220,273</u>	<u>414,989</u>	<u>304,382</u>	<u>944,634</u>	<u>1,871,706</u>
Business-type activities					
Net investment in capital assets	2,284,276	2,595,245	2,704,793	2,411,273	970,905 (b)
Restricted	1,781,858	1,897,265	1,999,885	1,461,062	1,273,170 (b)
Unrestricted	206,755	177,754	26,483	995,437	1,227,176
Total business-type activities net position	<u>4,272,889</u>	<u>4,670,264</u>	<u>4,731,161</u>	<u>4,867,772</u>	<u>3,471,251</u>
Primary government					
Net investment in capital assets	2,478,326	2,726,180	2,873,389	2,931,624	3,113,902
Restricted	4,035,795	4,179,965	3,996,120	4,700,191	4,282,642
Unrestricted	(1,020,959)	(1,820,892)	(1,833,966)	(1,819,409)	(2,053,587)
Total primary government net position	<u>\$ 5,493,162</u>	<u>\$ 5,085,253</u>	<u>\$ 5,035,543</u>	<u>\$ 5,812,406 (a)</u>	<u>\$ 5,342,957 (b)</u>

** These year end balances include prior period adjustments as follows:

- (a) \$5,812,406 net position is restated, \$5,473,503 plus prior period adjustments of \$338,903.
- (b) \$5,342,957 net position is restated, \$5,380,787 minus prior period adjustments of \$37,830 and \$1,692,542 reclassification across activities(net zero change).
- (c) \$4,687,154 net position is restated, \$4,968,409 minus prior period adjustment of \$281,255 for unrecorded costs.
- (d) \$1,087,162 net position is restated, \$6,564,377 minus prior period adjustments of \$5,386,694 for pension liability, \$90,521 for costs not recorded and fund transferred to new category \$4,003.
- (e) \$16,750,400 net position is restated, \$548,926 plus prior period adjustments of \$11,201,474. Major fiber optics project was completed and capitalized .
- (f) \$14,377,890 net position is restated, \$14,455,721 minus prior period adjustments of (\$77,831).

Lane Council of Governments
Net Position by Components, Continued
For the Fiscal Years Ended June 30, 2008-2017

Fiscal year ended June 30,	2013**	2014**	2015**	2016**	2017
Governmental activities					
Net investment in capital assets	\$ 449,951	\$ 420,167	\$ 10,707,658 (e)	\$ 10,229,273	\$ 10,016,507
Restricted	2,512,187	3,753,886	5,988,719	6,226,559	4,521,548
Unrestricted	(1,490,168) (c)	(6,810,666) (d)	(4,961,031)	(7,393,685)	(7,986,671)
Total governmental activities net position	<u>1,471,970</u>	<u>(2,636,613)</u>	<u>11,735,346</u>	<u>9,062,147</u>	<u>6,551,384</u>
Business-type activities					
Net investment in capital assets	825,246	662,237	2,025,428	2,025,069	1,869,243
Restricted	2,389,938	3,061,538	2,989,626	3,005,526	3,294,889
Unrestricted	-	-	-	285,148	435,650
Total business-type activities net position	<u>3,215,184</u>	<u>3,723,775</u>	<u>5,015,054</u>	<u>5,315,743</u>	<u>5,599,782</u>
Primary government					
Net investment in capital assets	1,275,197	1,082,404	12,733,086	12,254,342	11,885,750
Restricted	4,902,125	6,815,424	8,978,345	9,232,085	7,816,437
Unrestricted	(1,490,168)	(6,810,666)	(4,961,031)	(7,108,537)	(7,551,021)
Total primary government net position	<u>\$ 4,687,154</u> (c)	<u>\$ 1,087,162</u> (d)	<u>\$ 16,750,400</u> (e)	<u>\$ 14,377,890</u> (f)	<u>\$ 12,151,166</u>

** These year end balances include prior period adjustments as follows:

- (a) \$5,812,406 net position is restated, \$5,473,503 plus prior period adjustments of \$338,903.
- (b) \$5,342,957 net position is restated, \$5,380,787 minus prior period adjustments of \$37,830 and \$1,692,542 reclassification across activities (net zero change).
- (c) \$4,687,154 net position is restated, \$4,968,409 minus prior period adjustment of \$281,255 for unrecorded costs.
- (d) \$1,087,162 net position is restated, \$6,564,377 minus prior period adjustments of \$5,386,694 for pension liability, \$90,521 for costs not recorded and fund transferred to new category \$4,003.
- (e) \$16,750,400 net position is restated, \$548,926 plus prior period adjustments of \$11,201,474. Major fiber optics project was completed and capitalized.
- (f) \$14,377,890 net position is restated, \$14,455,721 minus prior period adjustments of (\$77,831).

Lane Council of Governments
Statement of Activities and Changes in Net Position

For Fiscal Years Ended June 30, 2007-2016

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Net Change</u>
	<u>Activities</u>		<u>Activities</u>		<u>Change in</u>		<u>from Prior Year</u>
					<u>Net Position</u>		
FY08	\$ (1,843,993)	\$	1,986,789	\$	142,796	\$	(129,194) (a)
FY09	(805,284)		397,375		(407,909)		(550,705) (a)
FY10	(110,607)		60,897		(49,710)		(358,199)
FY11	301,349		136,611		437,960		487,670
FY12	(927,072)		1,396,521		469,449		31,489
FY13	(118,481)		(256,067)		(374,548)		(843,997) (a)
FY14	(4,104,180)		504,188		(3,599,992)		(3,225,444) (b)
FY15	14,371,960		1,291,278		15,663,238		19,263,230 (c)
FY16	(2,677,603)		305,093		(2,372,510)		(18,035,748) (c),(d)
FY17	(2,510,763)		284,041		(2,226,722)		145,788

Change in net position is the net of program revenues and expenses. It is the marginal contribution to or (use) of net position. Total change in net position then is the marginal change in year to year equity balances.

(a): Includes building additions and building improvements (Park Place Building)

(b): Business-type activities includes net sale proceeds from Schaefer's Building (sold 6/27/14)

(c): Net change from prior year includes prior period adjustments of \$11.2 million in capital outlay.

(d): Net change from prior year includes prior period adjustment of (\$77,831).

Lane Council of Governments

Statement of Activities and Changes in Net Position

For the Fiscal Years Ended June 30, 2008-2017

Activity	2007	2008	2009	2010	2011	2012
EXPENSES						
Governmental activities						
Board/executive	\$ 314,586	\$ 307,001	\$ 436,491	\$ 83,477	\$ 124,699	\$ 462,594
Government Services	10,727,345	7,144,534	7,839,917	8,390,668	8,378,779	11,936,489
Senior and disabled services	10,157,483	10,441,048	11,863,804	12,154,150	13,415,431	13,072,160
Interest on long-term debt	36,992	150,636	179,866	181,906	23,003	24,043
Business-type activities						
Washington Mutual Building	223,358	-	-	-	-	-
Park Place Building	-	377,833	899,652	1,088,941	1,207,352	1,164,945
Springfield Building	-	308,677	306,499	313,694	263,589	247,902
Schaeffers Building	369,148	376,542	395,483	399,011	416,690	360,312
Loan program	506,353	535,951	484,155	504,454	436,516	494,026
Business services	-	-	-	-	-	55,156
Total Expenses	22,335,265	19,642,222	22,405,867	23,116,301	24,266,059	27,817,627
REVENUES						
Governmental activities						
Operating grants and contributions						
Board/executive	25,679	500	-	-	-	-
Government Services	1,446,429	1,562,492	1,845,317	2,436,049	5,226,311	8,568,716
Senior and disabled services	8,899,985	9,227,510	10,797,560	11,231,416	10,040,773	10,664,575
Charges for services						
Board/executive	14,722	11,863	10,553	13,265	83,824	114,137
Government Services	9,275,695	5,740,872	6,086,081	5,738,872	3,175,427	3,082,496
Senior and disabled services	1,300,172	1,230,007	1,036,100	1,262,548	3,522,224	2,476,599
Business-type activities						
Operating grants and contributions						
Loan program	125,000	-	-	-	-	-
Charges for services						
Washington Mutual Building	191,933	-	-	-	-	-
Park Place Building	-	323,325	716,217	758,956	1,112,603	911,080
Springfield Building	-	281,772	321,638	329,679	337,921	345,688
Schaeffers Building	320,748	355,635	355,454	365,011	363,810	377,145
Loan program	553,423	525,238	549,294	688,905	389,379	307,729
Minutes Recording	-	-	-	-	-	76,579
Economic Development	-	-	-	-	-	-
Busienss Services	-	-	-	-	-	-
Total Revenues	22,153,786	19,259,214	21,718,214	22,824,701	24,252,272	26,924,744
NET EXPENSE (REVENUE)						
Governmental activities	(273,724)	(269,975)	(544,467)	(128,051)	106,647	(588,763)
Business-type activities	92,245	(113,033)	(143,186)	(163,549)	(120,434)	(304,120)
Total Net Expense	\$ (181,479)	\$ (383,008)	\$ (687,653)	\$ (291,600)	\$ (13,787)	\$ (892,883)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION						
Governmental activities						
Unrestricted investment earnings	\$ 102,060	\$ 161,413	\$ 51,213	\$ 11,945	\$ -	\$ -
Member dues	210,069	219,472	226,603	229,946	222,063	233,848
Other	-	-	-	-	-	-
Gain (loss) on disposition of capital assets	3,500	1,910	1,928	-	(51,260)	(7,960)
Loans made (to Park Place Building)	-	-	-	-	-	(418,000)
Transfers	87,268	(1,956,813)	(540,561)	(224,447)	24,631	53,235
Business-type activities						
Unrestricted investment earnings	137,840	143,009	-	-	281,776	235,376
Gain (loss) on disposition of capital assets	-	-	-	-	-	-
Loans made (to Park Place Building)	-	-	-	-	-	418,000
Tenant Improvement expenses	-	-	-	-	-	-
Capital Contributions	-	-	-	-	-	-
Special Items - Transfer of Assets	-	-	-	-	-	-
Transfers	(87,268)	1,956,813	540,561	224,447	(24,731)	(53,235)
Total General Revenues	453,469	525,804	279,744	241,891	452,479	461,264
Change in Net Position						
Governmental activities	129,173	(1,843,993)	(805,284)	(110,608)	302,081	(727,640)
Business-type activities	142,817	1,986,789	397,375	60,898	136,611	296,021
Total Change in Net Position	271,990	142,796	(407,909)	(49,710)	438,692	(431,619)
Net position, beginning of year, previously reported						
Governmental activities	2,935,093	3,064,266	1,220,273	414,989	304,382	944,634
Business-type activities	2,143,283	2,286,100	4,272,889	4,670,264	4,731,161	4,867,772
Total net position, beginning of year	5,078,376	5,350,366	5,493,162	5,085,253	5,035,543	5,812,406
Prior period adjustments						
Governmental activities	-	-	-	-	338,903	1,654,712
Business - type activities	-	-	-	-	-	(1,692,542)
Total prior period adjustments	-	-	-	-	338,903	(37,830)
Net position, end of year						
Governmental activities	3,064,266	1,220,273	414,989	304,382	944,634	1,871,706
Business-type activities	2,286,100	4,272,889	4,670,264	4,731,161	4,867,772	3,471,251
Total NET POSITION, end of year	\$ 5,350,366	\$ 5,493,162	\$ 5,085,253	\$ 5,035,543	\$ 5,812,406	\$ 5,342,957

NOTE: This information was obtained from prior audited financial statements and incorporating prior period adjustments.

Lane Council of Governments

Statement of Activities and Changes in Net Position, Continued

For the Fiscal Years Ended June 30, 2008-2017

Activity	2013	2014	2015	2016	2017
EXPENSES					
Governmental activities					
Board/executive	\$ 178,135	\$ 367,978	\$ 481,450	\$ 3,833,110	\$ 569,856
Government Services	8,937,325	6,311,321	7,939,900	5,812,658	6,523,490
Senior and disabled services	13,783,793	14,900,572	12,781,146	25,148,879	21,438,033
Interest on long-term debt	67,947	66,072	-	25,645	-
Business-type activities					
Washington Mutual Building	-	-	-	-	-
Park Place Building	1,157,348	1,196,976	993,618	1,028,278	950,775
Springfield Building	255,269	241,689	213,455	136,051	-
Schaefer's Building	284,984	240,916	4,075	-	-
Loan program	473,694	388,712	325,557	266,620	269,827
Business services	65,467	52,218	117,009	180,484	83,770
Total Expenses	25,203,962	23,766,454	22,856,210	36,431,725	29,835,751
REVENUES					
Governmental activities					
Operating grants and contributions					
Board/executive	-	-	-	-	-
Government Services	6,328,256	4,072,961	985,344	1,229,439	1,542,754
Senior and disabled services	11,305,728	12,621,471	17,898,351	27,152,785	18,266,081
Charges for services					
Board/executive	311,079	913,163	100,760	44,963	46,686
Government Services	2,361,194	2,797,142	320,720	454,724	4,888,069
Senior and disabled services	2,450,180	2,543,886	5,825,753	1,131,366	1,061,060
Business-type activities					
Operating grants and contributions					
Loan program	-	-	-	110,000	175,000
Charges for services					
Washington Mutual Building	-	-	-	-	-
Park Place Building	937,263	976,354	1,018,686	997,920	912,423
Springfield Building	253,634	234,066	266,262	182,890	-
Schaefer's Building	206,071	206,087	-	-	-
Loan program	287,804	282,036	302,738	383,522	381,885
Minutes Recording	71,817	66,842	58,842	90,723	84,510
Economic Development	-	-	-	31,134	34,742
Business Services	-	-	-	-	-
Total Revenues	24,513,026	24,714,008	26,777,456	31,809,466	27,393,210
NET EXPENSE (REVENUE)					
Governmental activities	(210,763)	1,302,680	3,928,432	(4,807,014)	(2,726,727)
Business-type activities	(480,173)	(355,126)	(7,186)	192,546	284,188
Total Net Expense	\$ (690,936)	\$ 947,554	\$ 3,921,246	\$ (4,614,468)	\$ (2,442,539)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental activities					
Unrestricted investment earnings	\$ -	\$ -	\$ -	\$ 4,504	\$ 2,930
Member dues	195,879	196,361	197,825	206,671	211,946
Other	-	-	-	195,611	-
Gain (loss) on disposition of capital assets	-	-	-	1,638,361	-
Loans made (to Park Place Building)	-	-	40,768	-	-
Transfers	(103,597)	(129,006)	(36,768)	94,728	1,088
Business-type activities					
Unrestricted investment earnings	166,605	420,291	230,307	5,080	941
Gain (loss) on disposition of capital assets	(46,096)	413,402	71,617	-	-
Loans made (to Park Place Building)	-	-	-	-	-
Tenant Improvement expenses	-	(14,896)	-	-	-
Capital Contributions	-	(85,489)	-	-	-
Special Items - Transfer of Assets	-	-	-	269,563	-
Transfers	103,597	129,007	36,768	(94,728)	(1,088)
Total General Revenues	316,388	929,670	540,517	2,319,790	215,817
Change in Net Position					
Governmental activities	(118,481)	1,370,035	4,130,257	(2,667,139)	(2,510,763)
Business-type activities	(256,067)	507,188	331,507	372,460	284,039
Total Change in Net Position	(374,548)	1,877,223	4,461,764	(2,294,679)	(2,226,724)
Net position, beginning of year, previously reported					
Governmental activities	1,871,706	1,471,970	(2,636,613)	11,735,346	9,062,147
Business-type activities	3,471,251	3,215,184	3,723,775	5,015,054	5,315,743
Total net position, beginning of year	5,342,957	4,687,154	1,087,162	16,750,400	14,377,890
Prior period adjustments					
Governmental activities	(281,255)	(5,477,215)	10,241,702	(6,060)	-
Business - type activities	-	-	959,772	(71,771)	-
Total prior period adjustments	(281,255)	(5,477,215)	11,201,474	(77,831)	-
Net position, end of year					
Governmental activities	1,471,970	(2,636,613)	11,735,346	9,062,147	6,551,384
Business-type activities	3,215,184	3,723,775	5,015,054	5,315,743	5,599,782
Total NET POSITION, end of year	\$ 4,687,154	\$ 1,087,162	\$ 16,750,400	\$ 14,377,890	\$ 12,151,166

NOTE: This information was obtained from prior audited financial statements and incorporating prior period adjustments.

Lane Council of Governments
Fund Balances – Governmental Funds
(Modified accrual basis of accounting)
For Fiscal Years Ended June 30, 2008-2017

<u>Fiscal year ending June 30,</u>	2008	2009	2010	2011	2012
General Fund					
Non spendable					
Prepaid expenditures	\$ 26,416	\$ 35,921	\$ 38,033	\$ 38,397	\$ 46,391
Advances to other funds	53,138	153,274	364,154	-	418,000
Loan to Consortium	125,000	-	-	-	-
Committed	-	-	-	-	-
Unassigned	788,573	(101,712)	(390,400)	902,913	(227,252)
Total General Fund	\$ 993,127	\$ 87,483	\$ 11,787	\$ 941,310	\$ 237,139
All Other Governmental Funds					
Non spendable					
Telecommunications	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and contracts	-	-	-	-	-
Restricted for:					
Telecommunications	2,253,937	2,282,700	1,996,235	2,060,346	1,861,227
Grants and contracts	927,050	997,612	1,149,069	1,178,783	1,148,245
Other	-	-	-	-	-
Assigned:					
Telecommunications	-	-	-	-	-
Unassigned	-	-	-	-	-
Total of all other governmental funds	\$ 3,180,987	\$ 3,280,312	\$ 3,145,304	\$ 3,239,129	\$ 3,009,472

This information was obtained from prior audited financial statements and does not include subsequent prior period adjustments.
Certain items have been reclassified to conform with current accounting principles.

Lane Council of Governments
Fund Balances – Governmental Funds
(Modified accrual basis of accounting)
For Fiscal Years Ended June 30, 2008-2017

<u>Fiscal year ending June 30,</u>	2013		2014		2015		2016		2017	
General Fund										
Non spendable										
Prepaid expenditures	\$	36,533	\$	7,843	\$	5,290	\$	17,655	\$	25,262
Advances to other funds		418,000		333,730		293,931		361,154		211,175
Loan to Consortium		-		-		-		-		-
Committed		-		-		-		-		597,154
Unassigned		51,045		50,461		611,132		86,721		141,122
Total General Fund	\$	505,578	\$	392,034	\$	910,353	\$	465,530	\$	974,713
All Other Governmental Funds										
Non spendable										
Telecommunications	\$	-	\$	10,063	\$	10,360	\$	16,321	\$	13,297
Grants and contracts		-		5,720		49,093		369,868		331,353
Restricted for:										
Telecommunications		1,582,507		2,050,770		1,872,710		1,436,908		1,611,308
Grants and contracts		929,681		1,691,736		2,441,211		2,985,105		2,910,240
Other										
Assigned:										
Telecommunications		-		-		-		268,523		121,868
Unassigned		-		-		-		-		-
Total of all other governmental funds	\$	2,512,188	\$	3,758,289	\$	4,373,374	\$	5,076,725	\$	4,988,066

This information was obtained from prior audited financial statements and does not include subsequent prior period adjustments.
Certain items have been reclassified to conform with current accounting principles.

Lane Council of Governments
Changes in Fund Balances – Governmental Funds
(Modified accrual basis of accounting)
For Fiscal Years Ended June 30, 2008-2017

Fiscal year ending June 30,	2008	2009	2010	2011	2012
Revenues					
Member agency dues	\$ 219,472	\$ 226,603	\$ 229,946	\$ 222,063	\$ 233,848
Federal and state grants and contracts	10,925,138	12,125,851	13,466,564	15,039,837	18,968,748
Other local sources	7,083,569	7,730,940	7,237,967	7,031,974	5,783,840
Rental and In-Kind Income	172,250	190,290	200,901	227,247	264,543
Total revenues	18,400,429	20,273,684	21,135,378	22,521,121	25,250,979
Expenditures					
Current:					
Board/executive services	432,257	570,910	197,316	124,829	463,946
Government services	3,559,462	6,474,244	7,054,454	7,151,977	10,801,801
Telecommunications	3,562,773	1,316,165	1,362,825	1,235,515	1,169,583
Senior and disabled services	10,437,496	11,810,616	12,170,920	13,429,381	13,110,375
Debt service:					
Principal	133,712	147,789	68,231	225,212	207,073
Interest	157,834	190,830	179,985	23,004	24,043
Financing costs	18,208	-	-	-	-
Capital outlay	76,862	28,888	143,397	106,500	43,221
Total expenditures	18,378,604	20,539,442	21,177,128	22,296,418	25,820,042
Excess of revenue over (under) expenditures	21,825	(265,758)	(41,750)	224,703	(569,063)
Other financing sources (uses):					
Sale of capital assets	1,350,497	-	-	-	-
Transfers In	405,032	602,856	420,631	307,794	2,279,135
Transfers Out	(2,361,845)	(1,143,417)	(589,585)	(283,163)	(2,643,901)
Total other financing sources (uses)	(606,316)	(540,561)	(168,954)	24,631	(364,766)
Net change in fund balances	\$ (584,491)	\$ (806,319)	\$ (210,704)	\$ 249,334	\$ (933,829)
Debt service as a % of noncapital expenditures	1.72%	1.68%	1.19%	1.13%	0.90%

This information was obtained from prior audited financial statements and does not include subsequent prior period adjustments.
Certain items have been reclassified to conform with current accounting principles.

Lane Council of Governments
Changes in Fund Balances – Governmental Funds, Continued
(Modified accrual basis of accounting)
For Fiscal Years Ended June 30, 2008-2017

<u>Fiscal year ending June 30,</u>	2013		2014		2015		2016		2017	
Revenues										
Member agency dues	\$	195,879	\$	196,361	\$	197,825	\$	206,671	\$	211,946
Federal and state grants and contracts		17,378,504		16,586,244		15,376,937		19,932,496		19,327,141
Other local sources		5,122,453		6,254,191		10,890,234		7,464,581		6,198,676
Rental and In-Kind Income		255,481		108,188		77,620		79,298		324,157
Total revenues		22,952,317		23,144,984		26,542,616		27,683,046		26,061,920
Expenditures										
Current:										
Board/executive services		178,631		366,691		336,584		505,384		465,498
Government services		7,923,595		4,833,042		4,040,448		3,376,298		4,204,936
Telecommunications		1,038,591		1,456,207		1,773,838		1,821,258		1,458,717
Senior and disabled services		13,822,135		14,848,465		19,501,427		21,273,267		19,763,542
Debt service:										
Principal		32,813		34,688		36,674		1,129,073		-
Interest		67,947		66,072		64,086		25,645		-
Financing costs		-		-		-		-		-
Capital outlay		13,854		-		-		142,783		448,067
Total expenditures		23,077,566		21,605,165		25,753,057		28,273,708		26,340,760
Excess of revenue over (under) expenditures		(125,249)		1,539,819		789,559		(590,662)		(278,840)
Other financing sources (uses):										
Sale of capital assets		-		-		-		1,369,161		-
Transfers In		2,504,752		2,947,650		3,929,427		3,078,081		42,416
Transfers Out		(2,608,349)		(3,076,656)		(3,866,553)		(2,983,354)		(41,329)
Total other financing sources (uses)		(103,597)		(129,006)		62,874		1,463,888		1,087
Net change in fund balances	\$	(228,846)	\$	1,410,813	\$	852,433	\$	873,226	\$	(277,753)
Debt service as a % of noncapital expenditures		0.44%		0.47%		0.39%		4.28%		0.00%

This information was obtained from prior audited financial statements and does not include subsequent prior period adjustments.
Certain items have been reclassified to conform with current accounting principles.

Lane Council of Governments
Total Assets by Activity
For Fiscal Years Ended June 30, 2008-2017

	Governmental	Business-Type	Total	Net Change
	<u>Activities</u>	<u>Activities</u>	<u>Assets</u>	<u>from Prior Year</u>
FY08	\$ 6,623,930	\$ 15,273,599	\$ 21,897,529	\$ 5,736,824 (a)
FY09	5,799,650	16,774,853	22,574,503	676,974 (a)
FY10	5,646,590	16,886,079	22,532,669	41,834
FY11	6,060,179	16,377,911	22,438,090	(94,579)
FY12	5,554,608	16,646,169	22,200,777	(237,313) (a) (b)
FY13	5,247,803	15,867,294	21,115,097	(1,085,680) (c)
FY14	6,555,794	14,469,531	21,025,325	(89,772)
FY15	21,089,502	12,648,496	33,737,998	12,712,673 (b)
FY16	18,547,251	12,043,929	30,591,180	(3,146,818) (d)
FY17	17,606,837	12,061,164	29,668,001	(923,179) (e)

Total assets are LCOG assets less accumulated depreciation (governmental) and accumulated amortization (business-type).

(a): Includes building additions and/or building improvements (Park Place Building)

(b): Includes a correction of historical book asset value to agree to actual financial transactions

(c): Includes net reduction in capital assets \$481,450; and \$604,230 reduction in restricted cash/investments, loans receivable

(d): Includes sale of Springfield building

(e): Includes depreciation in excess of capital asset additions.

Lane Council of Governments
Total Resources - All Funds
(Budgetary Basis)

For Fiscal Years Ended June 30, 2008-2017

	Beginning Reserves	Current Year Revenues	Total Resources	Net Change from Prior Year
FY08	\$ 6,762,874	\$ 28,380,628	\$ 35,143,502	\$ 4,089,235 (a)
FY09	6,799,599	23,950,708	30,750,307	(4,393,195) (b)
FY10	5,707,294	24,328,135	30,035,429	714,878
FY11	5,519,951	25,420,051	30,940,002	904,573
FY12	7,080,778	28,436,930	35,517,708	4,577,706 (c)
FY13	5,411,676	25,828,379	31,240,055	(4,277,653) (c)
FY14	5,249,766	26,364,881	31,614,647	374,592
FY15	6,632,893	28,974,833	35,607,726	3,993,079 (d)
FY16	6,755,081	35,140,463	41,895,544	6,287,818 (e)
FY17	8,608,315	30,027,126	38,635,441	3,260,103 (f)
Average	<u>\$ 5,591,991</u>	<u>\$ 24,682,501</u>	<u>\$ 30,274,492</u>	<u>\$ 1,227,103</u>

Total Resources excludes transfer activity. The above data is per LCOG statements (see Supplementary Schedules section for details).

(a): Includes building loan proceeds received.

(b): In comparison to prior year is a returning to normal resource balances.

(c): FY12 and FY13 reflects the receipt in FY12 and expenditures in FY13 of a \$4.6 million ODOT multi year project.

(d): Primary increase involves Senior & Disability Services increased Federal and Local revenues.

(e): Sale of Springfield building

(f): Expected decrease in local and state revenue.

Lane Council of Governments
Revenue by Source- Governmental Funds
For Fiscal Years Ended June 30, 2008-2017

	<u>Federal Revenue</u>	<u>State Revenue</u>	<u>Local Revenue</u>	<u>Member Dues</u>	<u>In Kind Revenue</u>	<u>Total Revenues Governmental Funds</u>
FY08	\$ 10,925,138	\$ - (a)	\$ 8,434,065	\$ 219,472	\$ 172,250	\$ 19,750,925 (b)
FY09	3,615,086	8,539,233	7,702,473	226,603	190,288	20,273,683
FY10	4,398,642	9,067,922	7,237,966	229,946	200,901	21,135,377
FY11	5,297,871	9,741,966	7,014,166	222,063	227,245	22,503,311
FY12	9,611,949	9,356,799	5,783,839	233,848	264,543	25,250,978 (c)
FY13	7,184,139	10,194,365	5,122,453	195,879	255,481	22,952,317 (c)
FY14	4,982,398	11,603,846	6,254,190	196,361	108,188	23,144,982
FY15	4,842,080	12,602,609	8,822,481	197,825	77,620	26,542,616 (d)
FY16	6,524,263	13,408,233	10,201,600	206,671	79,298	30,420,065
FY17	6,949,229 (e)	12,377,912	6,198,676	211,946	324,157	26,061,920
Average	<u>\$ 6,433,080</u>	<u>\$ 9,689,288</u>	<u>\$ 7,277,191</u>	<u>\$ 214,061</u>	<u>\$ 189,997</u>	<u>\$ 23,803,617</u>

Above schedule is for governmental funds only, not LCOG as a whole. Governmental Funds are: General Fund and Special Revenue Funds (excludes enterprise funds). Special Revenue Funds consist of Governmental Services and Senior & Disability Services and excludes: reserves; internal charges matched by internal revenues; and internal transfers. Fluctuations in total revenues is not indicative of ongoing increased funding. Changes in grants and contracts funding as well as one time revenues will create fluctuations in annual revenues.

(a) As noted, FY04-FY08 recorded all federal and state revenues as one value; as of FY09 revenues were classified correctly.

(b): Reflects receipt of proceeds from loans on Schaefers Building and Park Place Building: \$2,700,994.

(c): FY12 reflects large grant from ODOT - \$4.6 million; FY13 does not include grant (one time funding).

(d): Primary increase in local revenue is from Planning Services and Senior & Disability Services increase in contract awards.

(e): SEFA includes \$175,000 in proprietary funds and does not include \$243,814 in federal vendor (contractor) revenue.

Lane Council of Governments
Total Revenue, All Funds
(Budgetary Basis)
For Fiscal Years Ended June 30, 2008-2017

	<u>Revenues</u>	<u>Change from Prior Year</u>
FY08	\$ 28,380,628	\$ 1,878,369 (a) (b)
FY09	23,950,708	(4,429,920) (c)
FY10	24,328,135	377,427
FY11	25,420,051	1,091,916
FY12	28,436,930	3,016,879 (d)
FY13	25,828,379	(2,608,551) (e)
FY14	26,364,881	536,502 (f)
FY15	28,974,833	2,609,952
FY16	35,140,463	6,165,630 (g)
FY17	30,027,126	(5,113,337) (h)
<u>Average</u>	<u>\$ 27,685,213</u>	<u>\$ 352,487</u>

Revenue is Total All Resources less Reserves and Transfers. Change noted is not necessarily indicative of revenue decline; instead the majority of change represents funding fluctuations, grants, contracts from year to year or from one time transactions.

- (a) Includes \$1,350,497 receipt of proceeds to purchase Park Place Building and pay off \$1,149,503 Wells fargo Bank loan - a \$2,500,000 one time revenue. Also includes partial receipt of proceeds for Park Place Building.
- (b) Includes balance of proceeds to purchase Park Place Building.
- (c) Change is due in part to the prior year including one time revenues (loan proceeds primarily).
- (d) Includes large multi year grants - BTOP - \$4,285,383; HUD/ODOT: \$380,000 increase.
- (e) Change due in part to level of project activities on BTOP/ODOT/HUD grant in year two being \$1.9 million less than prior year.
- (f) Change is due in part to level of project activities on BTOP/ODOT/HUD concluding and therefore less in comparison to prior two years; and net sale proceeds from Schaefer's Building (\$408,510).
- (g) Federal, state and local revenues increased; transfers decreased.
- (h) Federal, state and local revenues decreased.

Lane Council of Governments
All Funds Summary: Resources
(Budgetary Basis)

For Fiscal Years Ended June 30, 2008-2017

	Beginning Balance	Federal Revenue	State Revenue	Local Revenue (a)	Total
FY08	\$ 6,762,874	\$ 10,925,138	\$ 187,000	\$ 17,268,490	\$ 35,143,502
FY09	6,799,599	3,615,086	8,539,233	11,796,389	30,750,307
FY10	5,707,294	4,398,642	9,105,422	10,824,071	30,035,429
FY11	5,519,951	5,397,870	9,741,966	10,280,215	30,940,002
FY12	7,080,778	9,611,949	9,356,799	9,468,182	35,517,708
FY13	5,411,676	7,184,139	10,194,365	8,449,875	31,240,055
FY14	5,249,766	4,982,398	11,603,845	9,778,638	31,614,647
FY15	6,632,893	5,026,080	12,602,611	11,346,142	35,607,726
FY16	6,755,081	6,634,263	13,408,232	15,097,968	41,895,544
FY17	8,608,315	7,124,229	12,377,912	10,524,985	38,635,441

NOTES

*This schedule excludes interfund transfers and internal charges revenue.

(a) Local Revenue includes member dues, rental income, and in-kind revenues.

Lane Council of Governments
All Funds Summary: Requirements
(Budgetary Basis)

For Fiscal Years Ended June 30, 2008-2017

	Personal Costs (a)	Materials & Supplies	Capital Outlay (b)	Services by Other Organizations (c)	Debt Service	Reserves (d)
FY08	\$ 12,429,097	\$ 4,722,237	\$ 6,708,938	\$ 2,449,317	\$ 2,034,318	\$ 6,799,595
FY09	13,570,743	5,495,382	2,036,955	2,832,576	1,107,357	5,707,294
FY10	13,900,275	5,766,689	715,517	2,961,139	1,167,100	5,524,709
FY11	15,310,426	5,930,995	117,967	2,096,671	1,215,247	6,268,696
FY12	15,044,174	9,912,434	915,789	2,673,394	1,134,143	5,837,774
FY13	14,428,282	7,750,198	74,138	2,619,230	1,118,441	5,249,766
FY14	15,014,900	6,026,218	41,321	1,734,084	2,165,231	6,632,893
FY15	16,358,871	7,935,748	-	3,098,044	1,131,107	7,083,956
FY16	17,544,658	7,957,329	198,286	2,885,134	5,346,016	7,964,121
FY17	18,918,509	7,831,986	508,127	2,322,333	455,117	8,599,369

NOTES

(a) Personal Costs are Salary + Fringe.

(b) Capital outlay in FY08: FY12 included building acquisitions and improvements capitalized on Park Place and Schaefer's Building (Schaefer's building no longer owned by LCOG.)

(c) Includes loans made to small businesses.

(d) All Reserves are designated at FY14; prior to FY14 reserves are both undesignated and designated.

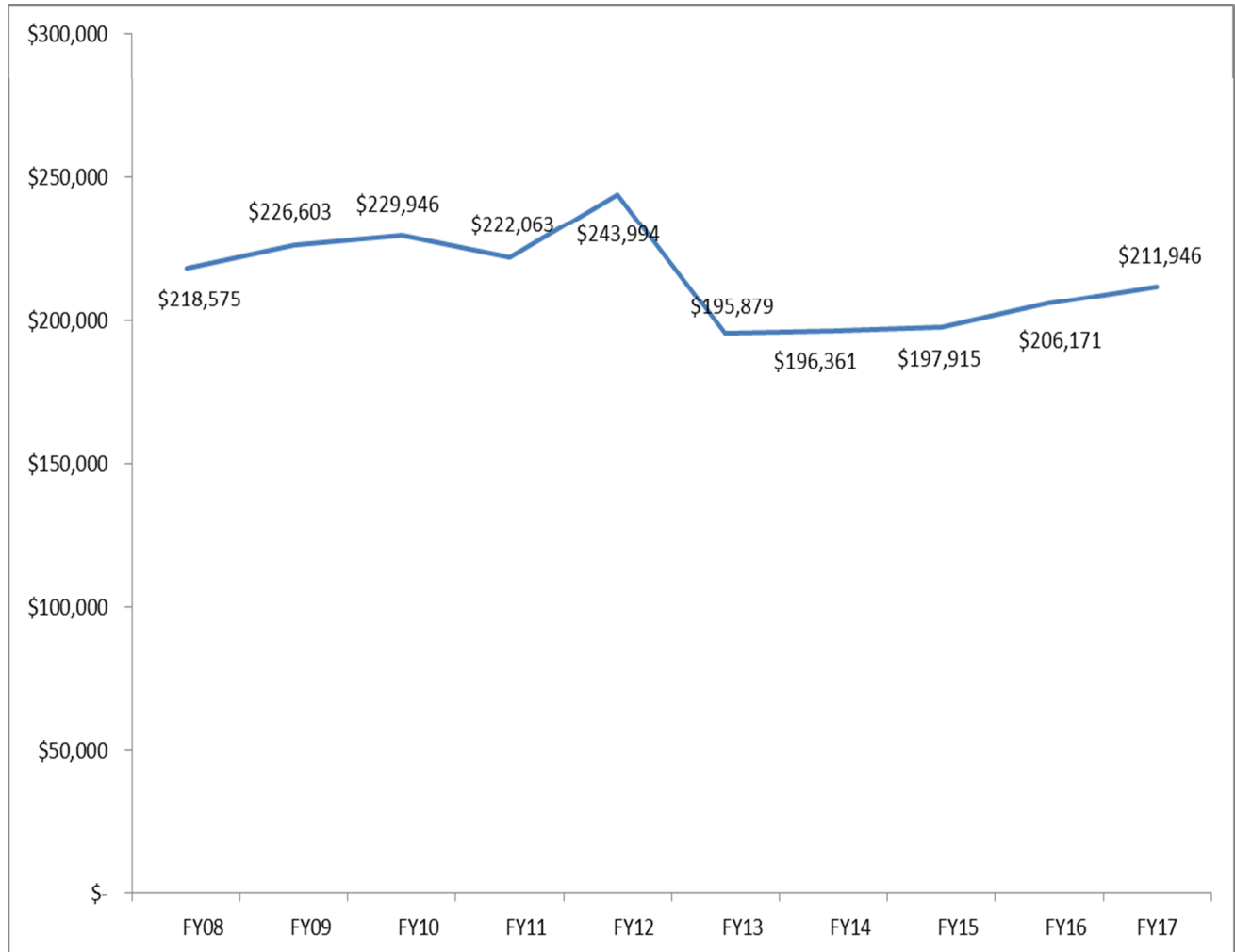
* This schedule excludes interfund transfers .

Lane Council of Governments
Member Dues
For Fiscal Years Ended June 30, 2008-2017

Member Agency	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Bethel School District 52	\$ 667	\$ -	\$ 635	\$ 632	\$ 646	\$ 559	\$ 559	\$ 573	\$ 1,000	\$ 1,000
City of Coburg	496	503	505	508	510	410	410	410	1,000	1,000
City of Cottage Grove	4,276	4,392	4,449	4,458	4,463	3,823	3,823	3,832	3,908	3,950
City of Creswell	2,084	2,186	2,214	2,251	2,277	1,967	1,967	1,957	1,996	2,050
City of Dunes City	620	-	-	-	268	512	512	512	522	1,000
City of Eugene	68,502	72,234	72,671	73,837	74,187	61,629	61,629	62,020	63,334	65,360
City of Florence	3,812	3,887	4,423	4,503	4,507	3,323	3,323	3,323	3,388	3,448
City of Junction City	2,289	2,413	2,491	2,566	2,665	2,136	2,136	2,136	2,178	2,348
City of Lowell	440	468	477	484	489	410	410	414	500	500
City of Oakridge	1,706	1,739	1,770	1,765	1,770	1,257	1,257	1,259	1,284	1,296
City of Springfield	26,307	26,940	27,262	27,300	27,530	23,417	23,417	23,473	23,936	24,054
City of Veneta	1,955	2,181	2,275	2,338	2,366	1,808	1,808	1,808	1,844	1,880
City of Westfir	154	157	160	160	160	100	100	100	1,000	1,000
Creswell School District	-	-	-	-	-	-	52	123	1,000	500
EPUD	2,198	2,309	2,328	2,351	2,420	1,996	1,996	2,598	2,660	2,047
Eugene School District 4J	1,929	1,927	1,884	1,948	1,916	1,651	1,651	1,647	1,687	1,720
EWEB	9,676	9,994	10,124	-	20,471	8,530	8,530	8,530	8,736	8,901
Fern Ridge Library District	461	470	470	470	470	392	392	392	500	500
Heceta Water District	-	-	-	-	-	-	90	216	500	500
Junction City RFPD	-	-	-	-	-	-	-	-	-	1,000
Lane Community College	1,235	1,309	1,295	1,500	1,750	1,506	1,506	1,369	1,402	1,438
Lane County	86,634	89,216	89,929	90,399	90,623	76,635	76,635	76,635	77,694	79,673
Lane ESD	461	470	470	470	470	392	392	392	1,000	1,000
Lane Library District	-	470	470	470	470	392	392	392	500	500
McKenzie School District 68	29	27	25	26	23	20	20	21	500	500
Port of Siuslaw	461	470	470	470	470	392	392	392	500	500
River Road Park&Rec District	-	147	470	470	470	392	392	392	1,000	500
Siuslaw Library District	-	-	-	-	-	-	163	392	500	500
Siuslaw Rural FPD #1	461	470	470	470	470	392	392	392	500	500
South Lane School District	-	-	-	-	-	-	177	265	500	500
Springfield School District 19	1,261	1,284	1,269	1,277	1,193	1,054	1,054	1,076	1,102	1,105
Western Lane Ambulance	461	470	470	470	470	392	392	392	500	500
Willamalane Parks & Rec District	-	470	470	470	470	392	392	392	-	500
Difference billing methodology	-	-	-	-	-	-	-	-	-	176
Total Member Dues	\$218,575	\$ 226,603	\$ 229,946	\$ 222,063	\$ 243,994	\$ 195,879	\$ 196,361	\$ 197,825	\$ 206,671	\$ 211,946

Notes: Amounts represent the two-level dues structure with lower level of \$500 used where requested.

Lane Council of Governments
Chart – Member Dues
For Fiscal Years Ended June 30, 2008-2017



Lane Council of Governments
Net Operating Performance
(Budgetary Basis)

For Fiscal Years Ended June 30, 2008-2017

	Revenues	Expenditures	Net	Net Change from Prior Year
FY08	\$ 28,380,628	\$ 28,343,906	\$ 36,722	\$ (2,174,144)
FY09	23,950,708	25,043,012	(1,092,304)	(1,129,026)
FY10	24,327,987	24,510,540	(182,553)	909,751
FY11	25,420,051	24,671,306	748,745	931,298
FY12	28,704,058	29,679,934	(975,876)	(1,724,621)
FY13	25,828,379	25,990,289	(161,910)	813,966
FY14	26,364,881	24,981,303	1,383,578 (a)	1,545,488
FY15	28,974,833	31,354,118	451,063 (b)	(932,515)
FY16	35,140,464	33,931,423	1,209,041 (c)	757,977
FY17	30,027,126	29,974,447 (d)	52,681 (e)	(1,156,360)
Average	<u>\$ 27,711,911</u>	<u>\$ 27,848,028</u>	<u>\$ 146,919</u>	<u>\$ (215,819)</u>

This schedule details operating activity only (excludes internal charges, transfers and reserves). This schedule presents the net contribution or (use) of ending fund balance. Changes noted in net performance is not necessarily indicative of a decline in funding. Instead, the majority of change represents fluctuations in grants and contracts from year to year or fluctuations from one time transactions.

(a) Includes a one time \$408,510 from net sale proceeds (sold Schaefer's Building 6/27/14).

(b) Includes payoff of two outstanding building loans (\$325,562) and an increase (\$498,000) from prior year for made to small businesses.

(c) Includes a one time net sale proceeds (sold Springfield building 12/11/15).

(d) Operating expenditures are comprised of \$30,036,074 less excess indirect support cost of \$61,627.

(e) Net is comprised of (\$8,956) plus excess indirect support cost of \$61,627 (indirect carryover).

Lane Council of Governments
Net Operating Performance by Area
(Budgetary Basis)

For Fiscal Years Ended June 30, 2008-2017

	<u>General Government</u>	<u>Government Services</u>	<u>Senior & Disability Services</u>	<u>Business Programs</u> (a)	<u>Total Contribution/(use)</u>
FY08	\$ 1,246,425	\$ 181,128	\$ (55,230)	\$ (1,335,601) (b)	\$ 36,722
FY09	(414,325)	129,917	18,649	(826,545) (c)	(1,092,304)
FY10	5,509	(312,309)	265,084	(140,837)	(182,553)
FY11	160,241	36,935	27,235	524,334	748,745
FY12	(396,665)	(324,914)	1,644	(255,941)	(975,876)
FY13	375,603	(317,350)	(35,465)	(184,698)	(161,910)
FY14	642,075	376,014	521,730	(156,241) (d)	1,383,578
FY15	237,577	(127,756)	742,613	(401,371) (e)	451,063
FY16	165,472	48,698	659,056	335,815 (f)	1,209,041
FY17	(145,869)	376,094	(529,211)	290,039	(8,947)
<u>Average</u>	<u>\$ 187,604</u>	<u>\$ 6,646</u>	<u>\$ 161,611</u>	<u>\$ (215,105)</u>	<u>\$ 140,756</u>

This schedule is the net contribution of use of ending fund balance by service area.

(a) Reflects first building loan proceeds received (recorded in General Fund initially).

(b) Combination of second building loan proceeds received and costs of building improvements.

(c) Remaining building improvement costs.

(d) Amount includes a net positive \$408,510 from the sale of Schaefer's Building. Also, Loan Program paid off a material amount of outstanding USDA loan debt (\$954,633) using current year revenues.

(e) Business Programs - Loans: loans are disbursed in advance of refunding; also FY15 disbursed \$498,000 more small business loans in FY15 than FY14; and payout of two outstanding building loans (\$325,562).

(f) Includes a one time net sale proceeds (sold Springfield building 12/11/15).

Lane Council of Governments
Fund Balance – All Funds
(Budgetary Basis)
For Fiscal Years Ended June 30, 2008-2017

	<u>Governmental</u> <u>Funds</u>	<u>Proprietary</u> <u>Funds</u>	<u>Total</u> <u>Fund Balance</u>	<u>Change from</u> <u>Prior Year</u>
FY08	\$ 4,174,114	\$ 2,625,481	\$ 6,799,595	\$ 2,210,865 (a)
FY09	3,367,796	2,339,498	5,707,294	(1,092,301) (b)
FY10	3,157,095	2,367,614	5,524,709	(182,585)
FY11	3,368,164	2,900,532	6,268,696	743,987
FY12	3,246,417	2,591,357	5,837,774	(430,922) (c)
FY13	2,739,510	2,510,256	5,249,766	(588,008) (c)
FY14	4,150,324	2,482,569	6,632,893	1,383,127 (d)
FY15	5,002,308	2,081,648	7,083,956	451,063 (e)
FY16	5,542,255	2,421,866	7,964,121	880,165 (f)
FY17	6,004,260	2,656,733	8,660,993	696,872
<u>Average</u>	<u>\$ 4,075,224</u>	<u>\$ 2,497,755</u>	<u>\$ 6,572,980</u>	<u>\$ 407,226</u>

Fund Balance is the balance remaining as of June 30 for the year indicated. Amounts are rounded.

(a): Includes \$1,350,497 one-time receipt of proceeds to purchase Park Place Building; and one-time cost to pay off

(b): Change is due in part to the prior year including one time revenues (loan proceeds primarily).

(c): Change is due in part to level of project activities on ODOT grant - \$1.9 million less than prior year.

(d): Includes \$408,510 from sale of Schaefer's Building (6/27/14). Amount is net proceeds.

(e): Includes \$498,000 more loans made in FY15 than FY14; and payout of two outstanding building loans (\$325,562).

(f): Includes proceeds from sale of Springfield building and loan payoff.

Lane Council of Governments
Net Capital Assets by Activity
For Fiscal Years Ended June 30, 2008-2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Net Capital Assets</u>	<u>Net Change from Prior Year</u>
FY08	\$ 278,816	\$ 9,223,574	\$ 9,502,390	\$ 6,318,767 (a)
FY09	130,935	10,815,134	10,946,069	1,443,679 (b)
FY10	168,596	10,954,482	11,123,078	(177,009)
FY11	192,099	10,436,938	10,629,037	(494,041) (c)
FY12	488,285	10,363,860	10,852,145	223,108 (b)
FY13	449,680	9,920,744	10,370,424	(481,721)
FY14	420,166	9,403,463	9,823,629	(546,795)
FY15	137,081	7,848,220	7,985,301	(1,838,328) (d),(c)
FY16	10,229,273	6,895,445	17,124,718	9,139,417 (e),(c)
FY17	10,016,507	6,599,622	16,616,129	(508,589)
<u>Average</u>	<u>\$ 2,251,144</u>	<u>\$ 9,246,148</u>	<u>\$ 11,497,292</u>	<u>\$ 1,307,849</u>

This schedule details the changes to LCOG's Capital Assets by activity. For example, in FY14 capital assets declined by \$546,795 from the prior year. The change is the fund net of additions, deletions or removals from assets, and accumulated depreciation (governmental) and accumulated amortization (business-type). Amounts are rounded.

(a): Includes building additions (Park Place Building).

(b): Includes building improvements (Park Place Building).

(c): Includes a correction to historical book asset value.

(d): Reflects the removal of Schaefer's Building, sold 6/27/14, from LCOG assets.

(e): Reflects the removal of Springfield Building, sold 12/11/15, from LCOG assets and BTOP Fiber \$10,458,595.

Lane Council of Governments
Total Population by Jurisdiction
For Fiscal Years Ended June 30, 2008-2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
State of Oregon	3,791,075	3,823,465	3,831,074	3,857,625	3,883,735	3,919,020	3,962,710	4,013,845	4,076,350	4,141,100
LCOG Region:										
Lane County	345,880	347,690	351,715	353,155	354,200	356,125	358,805	362,150	365,940	370,600
Lane County % of State	9.1%	9.1%	9.2%	9.2%	9.1%	9.1%	9.1%	9.0%	9.0%	8.9%
Coburg	1,075	1,080	1,035	1,045	1,045	1,045	1,045	1,055	1,070	1,085
Cottage Grove	9,445	9,485	9,686	9,745	9,770	9,785	9,840	9,875	9,890	9,920
Creswell	4,710	4,790	5,031	5,015	4,990	5,020	5,075	5,125	5,360	5,410
Dunes City	1,360	1,360	1,303	1,305	1,305	1,310	1,315	1,315	1,320	1,325
Eugene	154,620	157,100	156,185	157,010	158,335	159,580	160,775	163,400	165,885	167,255
Florence	9,410	9,580	8,466	8,470	8,470	8,480	8,565	8,620	8,680	8,745
Junction City	5,300	5,460	5,392	5,445	5,445	5,550	5,620	5,870	6,010	6,075
Lowell	1,015	1,030	1,045	1,045	1,055	1,060	1,060	1,065	1,070	1,070
Oakridge	3,745	3,755	3,205	3,205	3,210	3,215	3,220	3,240	3,255	3,245
Springfield	58,005	58,085	59,403	59,695	59,840	59,990	60,065	60,135	60,140	60,420
Veneta	4,840	4,975	4,561	4,610	4,610	4,635	4,690	4,700	4,755	4,785
Westfir	340	340	253	255	255	255	255	255	255	255
Unincorporated	92,015	90,650	96,150	96,310	95,870	96,200	97,280	97,495	98,250	101,010
Total	345,880	347,690	351,715	353,155	354,200	356,125	358,805	362,150	365,940	370,600

Source: Annual Population Estimates Program, Population Research Center, Portland State University.

*2017 estimates are preliminary.

Lane Council of Governments
Demographic and Economic Statistics

For Fiscal Years Ended June 30, 2007-2016**

Calendar Year	Population (a)	Personal Income, in \$1,000s (b)	Per Capita Personal Income (b)	Lane County Median Age (c)	Oregon Median Age (c)	Lane County Unemployment Rate (d)	Oregon Unemployment Rate (d)
2007	344,844	11,542,563	33,472	38.2	37.9	5.2%	5.2%
2008	348,176	11,951,855	34,327	38.3	38.0	6.7%	6.5%
2009	350,850	11,590,896	33,037	38.5	38.0	12.3%	11.3%
2010	351,976	11,739,756	33,355	39.1	38.5	11.0%	10.6%
2011	353,641	12,175,709	34,430	39.0	38.7	9.7%	9.5%
2012	354,993	12,696,903	35,805	38.8	38.9	8.9%	8.8%
2013	355,812	12,760,064	35,878	39.3	39.1	8.0%	7.9%
2014	358,442	13,575,594	37,867	39.9	39.3	6.9%	6.8%
2015	362,600	14,468,971	39,871	39.0	39.1	5.8%	5.6%
2016	369,519	15,160,278	41,027	39.4	39.2	5.1%	4.9%

Reflects Lane County, Oregon Boundaries

Sources:

(a) Census Bureau midyear population estimates. Estimates for 2010-2016 reflect county population estimates available as of Oct 2017.

(b) Personal Income from Bureau of Economic Analysis (BEA) Per capita personal income was computed using Census Bureau midyear population estimates.

(c) Census Bureau, ACS 1-year Estimates, Table B01002

(d) Oregon Employment Department.

Note: All dollar estimates are in current dollars (not adjusted for inflation). ** Information for FY17 is not available as of the report date.

Lane Council of Governments
Housing – Occupied and Owner Occupied Units
For Fiscal Years Ended June 30, 2007-2016**

Year	LCOG Region: Lane County Occupied Units	LCOG Region: Lane County Owner Occupied Units	State of Oregon Occupied Units	State of Oregon Owner Occupied
2007	138,374	87,679	1,471,965	950,773
2008	142,951	87,136	1,474,755	948,798
2009	140,782	83,643	1,485,919	936,919
2010	144,923	87,193	1,507,137	942,674
2011	145,781	82,365	1,516,979	922,012
2012	146,327	85,881	1,516,957	933,775
2013	144,166	86,435	1,523,799	926,930
2014	145,732	86,197	1,535,511	932,392
2015	146,602	85,460	1,553,205	948,891
2016	147,712	87,013	1,571,678	969,579

Reflects Lane County, Oregon Boundaries

Source: U.S. Department of Commerce, Census Bureau, Factfinder data search, Occupancy Characteristics (S2501).

** Information for FY17 is not available as of the report date.

Lane Council of Governments

Means of Transportation to Work

For Fiscal Years Ended June 30, 2007-2016 **

Means	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total	160,458	165,480	145,497	152,073	37,300	146,847	155,663	160,329	161,994	166,336
Total LCOG Region as a % of State:	9.1%	9.2%	8.5%	9.1%	2.2%	8.6%	8.9%	9.0%	9.1%	8.8%
LCOG Region:										
Car, Truck or Van:	131,496	132,895	115,646	122,868	12,164	116,356	125,512	127,356	132,763	137,438
Drove alone	163,310	115,614	102,758	108,459	107,807	100,794	110,291	111,365	112,277	122,646
Carpooled:	15,186	17,281	12,888	14,409	13,657	15,562	15,221	15,991	20,486	14,792
In 2-person carpool	13,292	13,278	10,044	12,200	11,589	13,322	11,743	13,606	17,295	11,725
In 3-person carpool	1,078	2,192	1,828	1,102	1,301	1,444	2,611	1,569	2,000	1,955
In 4-person carpool	389	743	527	594	382	512	153	143	776	617
In 5- or 6-person carpool	326	460	109	264	343	225	534	262	259	106
In 7-or-more-person carpool	101	608	380	249	42	59	180	411	156	389
Public transportation:*	5,569	7,915	5,230	4,876	3,798	4,509	4,337	5,834	5,417	4,062
Bus or trolley bus	5,457	7,842	5,089	4,876	3,798	4,509	4,294	5,711	5,315	4,062
Streetcar or trolley car	53	0	92	0	0	0	0	0	7	0
Subway or elevated	59	0	0	0	0	0	0	0	7	0
Railroad	0	0	49	0	0	0	43	76	0	0
Ferryboat	0	73	0	0	0	0	0	47	88	0
Taxicab	0	0	0	170	119	0	90	0	53	0
Motorcycle	443	845	363	372	675	249	269	480	137	478
Bicycle	6,958	7,899	8,206	6,837	5,904	7,123	6,862	7,153	6,553	5,883
Walked	6,292	7,861	6,153	6,824	6,448	8,339	6,391	9,478	7,376	7,580
Other means	465	477	374	1,010	731	487	1,017	1,059	2,066	1,567
Worked at home	9,235	7,588	9,525	9,116	7,461	9,784	11,185	8,969	7,629	9,328

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates for Lane County, Oregon, Table B08301.

**Information for FY17 is not available as of the report date.

Lane Council of Governments
Full Time Employee Equivalents for Each Fiscal Year

For Fiscal Years Ended June 30, 2008-2017

Fiscal Year	Governmental Funds			Proprietary Funds			Full Time Employee Equivalents (FTE)
	Board/ Executive	Government Services	Senior & Disabled Services	Park Place Building **	Loan Programs	Non-major Proprietary	
2008	21.96	37.83	114.66	0.42	2.19	0.05	177.11
2009	21.80	37.09	116.48	0.41	2.20	0.04	178.02
2010	22.16	38.30	114.93	0.38	2.03	0.04	177.84
2011	21.83	38.81	127.92	0.47	2.56	0.06	191.65
2012	22.70	34.60	121.66	0.36	1.93	0.04	181.29
2013	21.29	32.19	118.60	0.35	1.91	0.04	174.38
2014	18.75	22.7	142.06	0.19	1.32	0.09	185.11
2015	12.94	25.59	153.10	0.13	1.35	0.10	193.21
2016	13.60	24.43	151.90	0.07	1.40	0.23	191.63
2017	12.59	24.79	165.91	0.04	1.24	0.22	204.79

Sources: Budget documents, audited financial statements, and internal payroll documentation.

** Was Building Management Fund in Prior Fiscal Years.

COMPLIANCE SECTION





This page left intentionally blank

INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS



To the Board of Directors
Lane Council of Governments
Lane County, Oregon

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

We have audited the basic financial statements of Lane Council of Governments (LCOG) as of and for the year ended June 30, 2017, and have issued our report thereon dated November 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

Compliance

As part of obtaining reasonable assurance about whether LCOG's basic financial statements are free of material misstatement, we performed tests of its 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 determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- 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 LCOG 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.

OAR 162-10-0230 Internal Control

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. 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 and use of the Board of Directors and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than those specified parties.

ISLER CPA

By:



By: Paul Nielson, CPA, a member of the firm

Eugene, Oregon
November 30, 2017

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



To the Board of Directors
Lane Council of Governments
Lane County, Oregon

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 Council of Governments (LCOG) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LCOG'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Isler CPA

By:



Paul Nielson, CPA, a member of the firm

Eugene, Oregon
November 30, 2017

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

To the Board of Directors
Lane Council of Governments
Lane County, Oregon

Report on Compliance for Each Major Federal Program

We have audited the Lane Council of Governments (LCOG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the LCOG's major federal program for the year ended June 30, 2017. LCOG's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of LCOG's compliance.

Opinion on Each Major Federal Program

In our opinion, LCOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.



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

Report on Internal Control Over Compliance

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

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

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

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

Isler CPA



By Paul Nielson, CPA, a member of the firm

Eugene, Oregon
November 30, 2017



This page left intentionally blank

Lane Council of Governments
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Loans	Amounts Provided to Sub Recipients	Expenditures of Federal Awards
U.S. Department of Agriculture:					
Pass-through Assistance:					
Oregon Department of Human Services					
State Administrative Matching Grants for the	10.561	143129		\$ -	\$ 3,961,363
Supplemental Nutrition Assistance Program (Food Stamp Administration)				-	3,961,363
			Beginning Loan Balances		
Direct Assistance:					
Intermediary Relending Program	10.767	61.02	\$ 477,424	-	-
Intermediary Relending Program	10.767	61.03	281,079	-	-
Intermediary Relending Program	10.767	61.04	249,702	-	-
Intermediary Relending Program	10.767	61.05	330,087	-	-
Intermediary Relending Program	10.767	61.06	382,605	-	-
Subtotal for CFDA 10.767			<u>\$ 1,720,897</u>	-	-
Total U.S. Department of Agriculture				-	3,961,363
U.S. Department of Commerce:					
Direct Assistance:					
Economic Development Cluster:					
Organic Agriculture Research and Extension Initiative (Economic Development Administration)	11.307	N/A		-	150,000
Organic Agriculture Research and Extension Initiative (Economic Development Administration)	11.307	N/A		-	350,000
Total Economic Development Cluster				-	500,000
U.S. Department of Labor Employment Training Administration:					
Direct Assistance:					
Reentry Employment Opportunities (Lane Workforce Partnership LEAP2)	17.270	31069		81,394	169,019
Total U. S. Department of Labor Employment Training Administration				81,394	169,019
U.S. Department of Transportation:					
Highway Planning and Construction Cluster:					
Oregon Department of Transportation					
Highway Planning and Construction-Transportation Operations-16 MPO-PL	20.205	30789		-	25,838
Highway Planning and Construction-Transportation Operations-16 STP	20.205	30908		-	146,169
Highway Planning and Construction -Transportation Operations-17 MPO-PL	20.205	31415		-	695,916
Highway Planning and Construction-Transportation Operations--17 STP	20.205	31712		-	163,325
Highway Planning and Construction-Transportation Projects-ODOT Oregon MPO Consortium Work Program (OMPOC)	20.205	31249		-	26,778
Highway Planning and Construction-Transportation Ops-ODOT Regional Bike Counters (COE)	20.205	30045		25,556	51,112
Highway Planning and Construction-Urban & Reg Planning-Oakland TGM Code Assist	20.205	30940		-	10,388
Highway Planning and Construction-Urban & Reg Planning - Oakland TGM	20.205	31290		-	30,937
Highway Planning and Construction-Urban & Reg Planning-Yoncalla Code Assist TGM	20.205	31778		-	12,655
Highway Planning and Construction-Transportation Projects-Lane Cnty Regional Safety Plan	20.205	RS-16-77-03		-	1,697
Total Highway Planning and Construction Cluster				25,556	1,164,815
State and Community Highway Safety-Transportation Projects-ODOT Safety & Security	20.600	SA-17-25-07		-	35,513
Highway Safety Cluster:					
Oregon Department of Transportation					
Department of Transportation-National Highway Traffic Safety Administration (NHTSA) -ODOT Regional Crash Data Portal-National Priority Safety Programs	20.616	M3DA-16-54-03		-	20,179
Total Highway Safety Cluster				-	20,179
Total U.S. Department of Transportation				25,556	1,220,507

Lane Council of Governments
Schedule of Expenditures of Federal Awards, Continued
For Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Loans	Amounts Provided to Sub Recipients	Expenditures of Federal Awards
U.S. Environmental Protection Agency					
Direct Assistance:					
Environmental Protection Agency-Office of Water -Natural Resources Planning--GWMA Phase 6	66.460	DEQ#015-15		-	10,593
Subtotal for CFDA 66.460				-	10,593
Environmental Protection Agency-Office of Water-EPA ORWAP Planning	66.461	CD-01J09201-2		-	84,509
Total U.S. Environmental Protection Agency				-	95,102
U.S. Department of Health and Human Services:					
Pass-through Assistance:					
Aging Cluster:					
Oregon Department of Human Services					
Department of Health and Human Services-Administration on Aging Special Programs for Aging, Title III-B	93.044	143129		80,266	415,386
Department of Health and Human Services-Administration on Aging Special Programs for Aging, Title III-C-1	93.045	143129		-	461,842
Department of Health and Human Services-Administration on Aging Special Programs for Aging, Title III-C-2	93.045	143129		91,791	212,479
Subtotal for CFDA 93.045				91,791	674,321
Department of Health and Human Services-Administration on Aging Nutrition Services Incentive Program	93.053	143129		29,719	140,254
Total Aging Cluster				201,776	1,229,961
Department of Health and Human Services-Administration on Aging Dementia	93.051	146746		-	9,447
Department of Health and Human Services-Administration on Aging Special Programs for Aging, Title III-E	93.052	143129		-	166,886
Pass-through Assistance:					
Lane County Health and Human Services					
Department of Health and Human Service -Administration on Aging Low-Income Home Energy Assistance (LIHEAP)	93.568	22831		-	25,573
Total U.S. Department of Health and Human Services				201,776	1,431,867
Total Expenditures of Federal Awards				\$ 308,726	\$ 7,377,857

Lane Council of Governments
Notes to the Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lane Council of Governments under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present financial position, changes in net position or cash flow of Lane Council of Governments.

Note 2. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Expenditures reported on this schedule are recognized following the costs principles in Title 2 CFR 200, where certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Lane Council of Governments did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Loan or Loan Guarantee Programs

Lane Council of Governments had the following loan payments and loan balances outstanding at June 30, 2017. No loans were made in FY17

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Loan Amounts Repaid During the Fiscal Year</u>	<u>Year End Balance 6/30/2017</u>
U.S. Department of Agriculture:				
Direct Programs (IRP/RBDF Loan and RBEG Loan Programs):				
Intermediary Relending Program	10.767	61.02	\$ 38,113	\$ 439,312
Intermediary Relending Program	10.767	61.03	17,661	263,418
Intermediary Relending Program	10.767	61.04	14,548	235,153
Intermediary Relending Program	10.767	61.05	18,126	311,961
Intermediary Relending Program	10.767	61.06	17,091	365,514
			<u>\$ 105,539</u>	<u>\$ 1,615,358</u>

Lane Council of Governments
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' 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 Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	
Dollar threshold used to distinguish between type A and type B programs:		\$750,000
Auditee qualified as low-risk auditee?		Yes

Lane Council of Governments
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2017

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Summary Schedule of Prior Audit Findings

None.



This page left intentionally blank

