

LANE COUNCIL OF GOVERNMENTS



“Working Together for Our Community”

Annual Financial Report

For the Fiscal Year Ended June 30, 2013

Brendalee S. Wilson, BA, MS, JD
Executive Director

This document and related information are available at

www.lcog.org/fiscal.cfm

LANE COUNCIL OF GOVERNMENTS

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INTRODUCTORY SECTION

LCOG Overview

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. LCOG is a single county council of governments. Our members represent governments and agencies varying from Lane County to twelve cities, five school districts, one college, two parks and recreation organizations, two library districts, two utilities, a transit district, fire district, ambulance district and the Port of Siuslaw. The governing body of LCOG is its Board of Directors, comprised of local elected officials designated to represent member governments and agencies.

LCOG's principal office is located in Eugene, Oregon. Lane County is geographically situated on the west side of Oregon, approximately 120 miles south of Portland, Oregon and 85 miles south from the State's capital – Salem. Lane County population is approximately 352,000.



LCOG is one of the oldest councils in the nation. LCOG was first organized in 1945 under the name Central Lane County Planning Commission with only six members. It was reorganized in 1971 under an intergovernmental agreement pursuant to Oregon Revised Statutes 190.003 to 190.030 and the name was changed to Lane Council of Governments (LCOG). It 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 29 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 services are offered over four broad areas: Government services (planning, transportation and telecommunications); Senior and Disabled Services; Business Services and Administration. LCOG employs over 210 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. In addition to serving Eugene, LCOG provides senior services to Cottage Grove, Florence, Junction City, Oakridge, and Veneta.

Services Provided by LCOG

Government Services



LCOG's Government Services program provides a wide range of services to assist local, state, and federal governments. Services include regional (multi-jurisdictional) work and assistance to individual governments, both within and outside of Lane County. Functions and specialty services include planning, transportation (TMA-MPO), economic development (EDD), natural resources, community safety, legal services, the regional GIS/RLID system, research and analysis and resource development. The

telecommunications area provides cost-effective technology services through participating agencies. Funded through governmental agreements with the agencies that receive the services, staff assists with regional telecommunications management and operation, regional technology systems coordination and planning, and Metro Television. Funding is primarily through grants and contracts and charges for service. Annual budget: \$10.6 million.

Senior and Disabled Services

LCOG's Senior and Disabled Services is the Area Agency on Aging and Disability Services for Lane County, Oregon and therefore, under Oregon State law, manages long-term care services under the federally funded Medicaid program. Specific functions and specialty services include medicaid and food stamp programs, eligibility determinations, case management, licensing and monitoring of adult foster homes, the home care worker program, adult protective services, quality assurance, Federal Older Americans Act programs, information assistance (Aging and Disability Resource Connection), group dining and home-delivered meals, care coordination, family caregiver support, and state funded Oregon Project Independence supported programs. Annual budget: \$14.8 million.





Business Services

Business Services includes business loans, LCOG owned real estate and minutes recorder services. LCOG's business loan program helps small businesses to utilize various government loan resources including local, state and federal programs such as the U.S. Small Business Administration. These programs can offer numerous benefits including an attractive rate of interest, higher loan-to-value, and easier access to capital. Funding is through charges for services.

LCOG owns three buildings: The Park Place Building at 859 Willamette Street, Eugene; Schaefers Building at 1015 Willamette Street, Eugene; and Springfield building at 640-644 A Street, Springfield. The properties are managed by Pacific Real Estate Management Group. Business Program staff oversee the operations of the real estate. Funding is through charges for services and rent income. Lastly, Business Services provides minutes recorder services. Annual budget for all Business Services: \$5.5 million.



Administrative Services

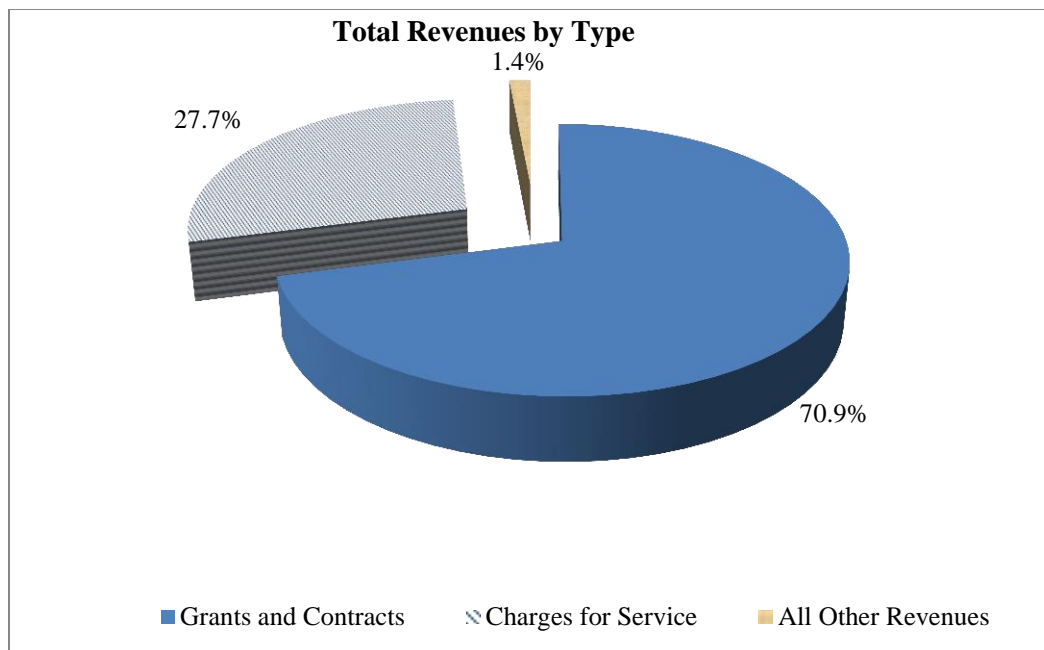


LCOG's Administrative Services is responsible for providing management functions necessary for the efficient operation of the organization and support services to the agency. This service area consists of the Executive Director and administrative teams in Human Resources, Financial and Budget, Special Projects, and Support Services. Financial support for Administrative Services is provided by indirect charges to direct programs and, in limited circumstances, by special service charges. Annual budget: \$3.3 million. In addition, funding for the Executive Director and Board annual budget is approximately \$507,000 which provides financial support to all direct service areas, meeting support, and General fund share of costs.

Financing LCOG Services

Unlike many governmental units, LCOG has no property tax revenues. LCOG is an organization that relies almost entirely upon grants, contracts, charges for services and the support of the LCOG member agencies. LCOG member agencies provided \$195,879 in financial support via member dues in 2012-2013.

The chart noted below highlights the type of revenues LCOG earned in 2012-2013.

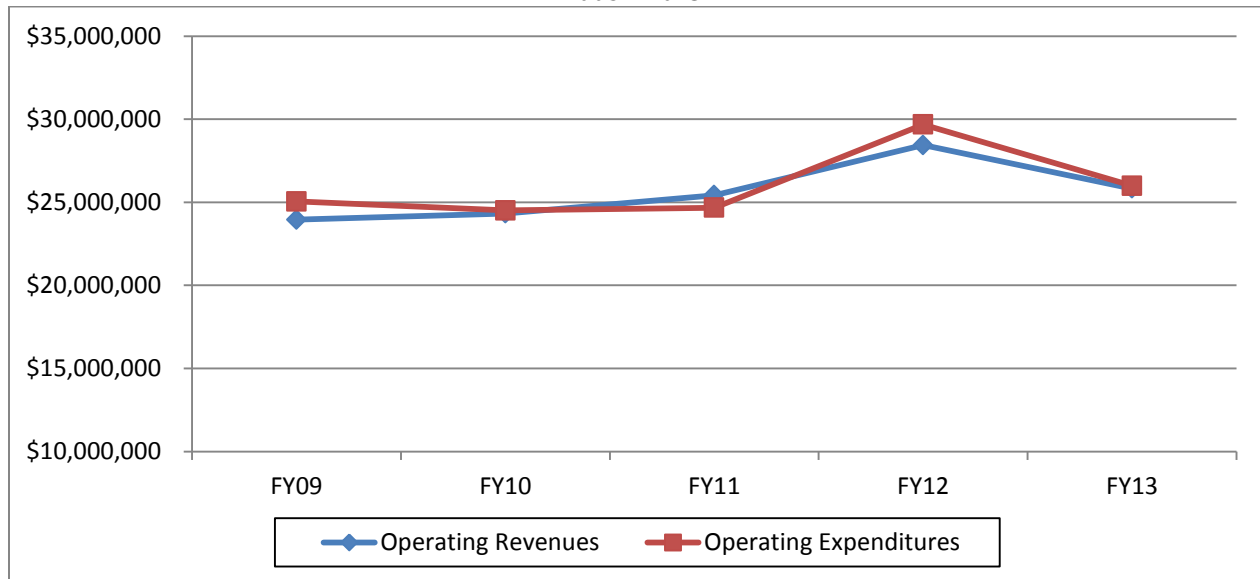


Other revenues are: \$195,879 member dues and \$166,605 investment earnings (loans program)

As indicated, 98.6% of LCOG's revenues from activities (\$24,513,026 of the \$24,875,510 total revenues) rely upon grants and contracts or charges for service. As agreements and contracts close out and new agreements and contracts start up, there is a fluctuation in current year resources. Fluctuations in funding levels are matched with reductions in expenditures. Accordingly, changes to the actual earned revenues of any one particular revenue group would not necessarily accurately depict a change in LCOG's financial stability.

The following chart indicates the relationship between LCOG's ability to generate current year revenues with the level of current year expenditures that are made against the revenues. As noted in the chart, the trend line for revenues and expenditures depicts this close relationship within LCOG finances.

Revenue and Expenditure Trends 2008 - 2013



Annual Financial Report

LCOG's financial statements included in the Annual Report have been prepared to meet the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). GASB 34 establishes a reporting model that LCOG has reported in five parts:

1. Management's Discussion and Analysis: A narrative report providing significant information about LCOG and how LCOG's financial position has changed from June 30, 2012 to June 30, 2013, and the reasons for the change.
2. Government-wide Financial Statements: statements which report on the governmental and business-type assets, liabilities, expenses and revenues of LCOG.
3. Fund Financial Statements: statements which report on the major individual governmental and proprietary funds of LCOG.
4. Budgetary comparisons for LCOG's major fund types: General Fund, Special Revenue Funds, Enterprise Funds and Fiduciary Fund.
5. Notes to the financial statements.

Independent Audit

In compliance with the laws of the State of Oregon, Lane Council of Governments was audited by independent certified public accountants. The opinion of Pauly, Rogers and Co., PC may be found on page 1 of this report. The reports relating specifically to the single audit are included in the section entitled "Compliance."

LANE COUNCIL OF GOVERNMENTS - BOARD OF DIRECTORS

(*) Denotes Executive Committee Member (#) Denotes Budget Committee Member

Bethel School District 52
Rich Cunningham

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

City of Coburg
Mayor Jae Pudewell

Eugene Water & Electric Board
Commissioner John Simpson (*) (#)
Chair of the Budget Committee

City of Cottage Grove
Mayor Thomas Munroe

Fern Ridge Library District
Steve Recca

City of Creswell
Mayor Dave Stram

Lane Community College
Rosie Pryor

City of Dunes City
Mayor Rebecca Ruede

Lane County
Commissioner Faye Stewart (*) (#)
Vice Chair of the Board of Directors

City of Eugene
Chris Pryor

Lane Education Service District
Sherry Duerst-Higgins (*)

City of Florence
Mayor Nola Xavier (*)

Lane Library District
Vacant

City of Junction City
Mayor Dave Brunscheon

McKenzie School District 68
Vacant

City of Lowell
Mayor Steve Paulson

Port of Siuslaw
Joshua Greene

City of Oakridge
Councilor Glenn Fortune (*)

River Road Park & Recreation District
Wayne Helikson

City of Springfield
Mayor Christine Lundberg (*) (#)

Siuslaw Valley Fire District
John Buchanan

City of Veneta
Mayor Sandra Larson

Springfield School District 19
Al King (*)
Chair of the Board of Directors

City of Westfir
Vacant

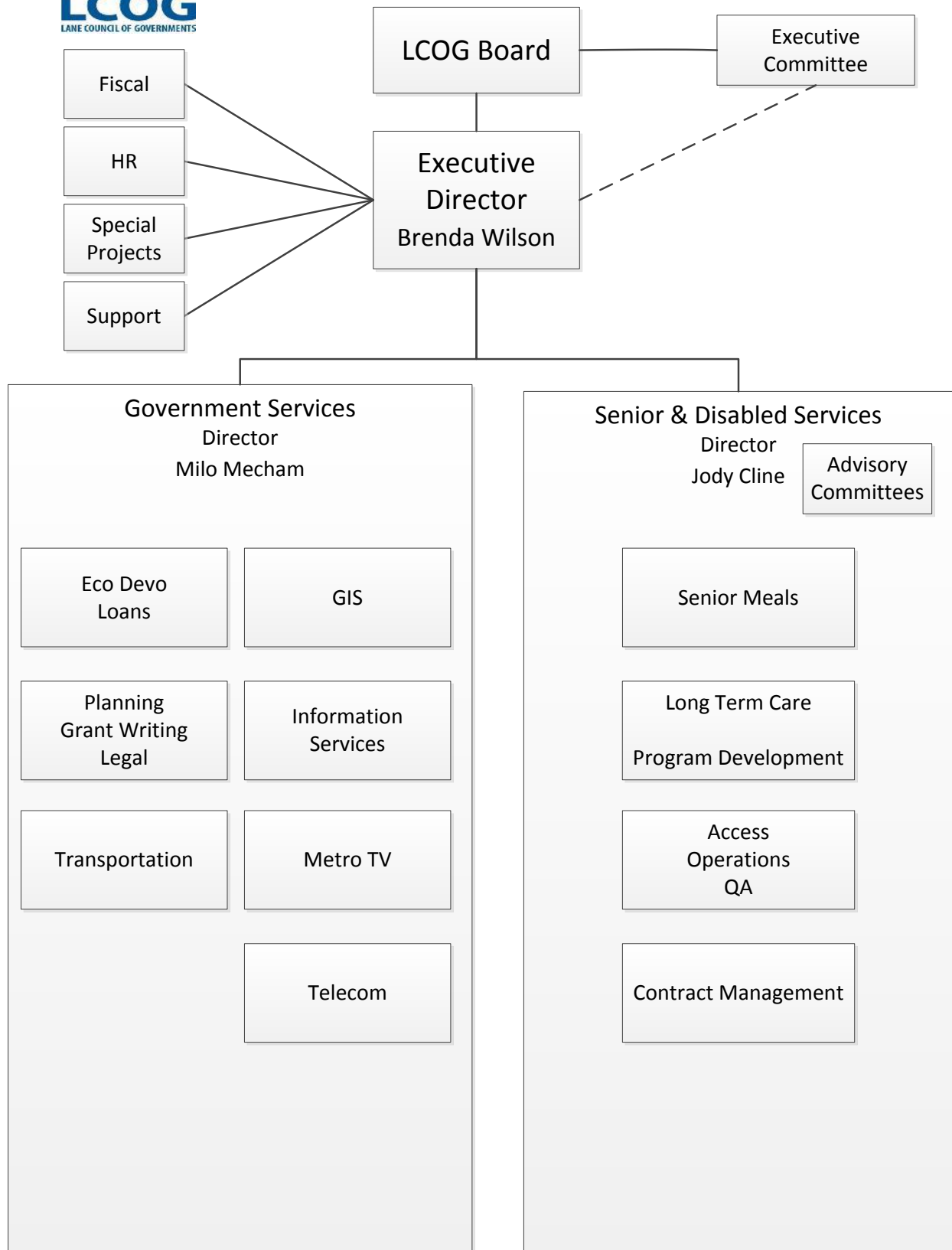
Western Lane Ambulance District
Bob Sneddon

Emerald Peoples Utility District
Penny Jordan

Willamalane Park & Recreation District
Greg James (*)

NON-VOTING MEMBER

Lane Transit District
Carl Yeh





December 12, 2013

Mr. Al King, Chair, and
Members of the Board of Directors
Lane Council of Governments

Ladies and Gentlemen:

This document, submitted for your review and approval, contains the *Annual Financial Report* of the Lane Council of Governments for the fiscal year ended June 30, 2013. LCOG's fiscal staff has prepared these statements in accordance with applicable statutes and regulations. Our financial statements conform with all recommended governmental financial reporting standards and "generally accepted accounting principles."

Independent auditors from the firm of Pauly, Rogers & Co., Inc., certified public accountants, conducted a thorough examination of the agency's financial statements for FY 2012-2013. The report of the auditors on page 1 confirms that LCOG's transactions during the past fiscal year were conducted in an appropriate manner. The document also includes a section labeled Management Discussion and Analysis that begins on page 4.

LCOG's overall financial position can be discerned from these statements. Management and administrative staff take very seriously our stewardship responsibilities for the public resources entrusted to us. LCOG continues to refine its internal management procedures and structures to ensure the accuracy of the records and the effectiveness of the controls.

The statements in this document depict the transactions that were performed within and between LCOG's General Fund, its Special Revenue Funds, and Enterprise Funds. In addition, this document reflects the activities during the year within the Fiduciary Funds for which LCOG bears responsibility. During FY 2012-2013, resources in excess of \$31 million were administered by this agency. Our exercise of that responsibility was consistent with the law, the policies of the Board of Directors and the interests of the people of Lane County.

Sincerely,

Brendalee S. Wilson
Executive Director

FINANCIAL SECTION



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www.paulyrogersandcpcpas.com

November 14, 2013

INDEPENDENT AUDITORS' REPORT

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

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 Lane Council of Governments, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund

information each major fund of Lane Council of Governments, as of June 30, 2013, 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.

Emphasis of Matter

The COG adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and 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.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, 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 records used to prepare the 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The introductory section, the statistical section and the other information, as listed in the table of contents, 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.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013 on our consideration of the internal control over financial reporting and on our tests of 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 internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 14, 2013, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink, reading "Matthew Graves".

Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Lane Council of Governments (LCOG)'s discussion and analysis provides an overview of LCOG's financial activities for the fiscal year ended June 30, 2013. Since this information is designed to focus on the current year activities and financial condition, resulting changes in financial condition, and the results of operations for the year ending June 30, 2013, it should be read in conjunction with the Letter from the Executive Director (beginning on page iv) and LCOG's financial statements (beginning on page 20) in the Financial Section of this document.

The Management's Discussion and Analysis provides information to facilitate an understanding of LCOG's financial performance. Also in this section is a discussion of the basic financial statements, including the relationships of the statements to each other and the significant differences in the information they provide. Although the emphasis is on the performance as of June 30, 2013, included are comparisons to the prior year financial information.

Financial Highlights

- Total LCOG resources, excluding transfers, for FY2012-13 is 12.1% lower than FY2011-12 (\$31,240,055 versus \$35,517,708 or \$4,277,653 less than FY2011-12). The change from the prior year resources consists of a decrease in beginning reserves (\$1,560,827) which indicates that LCOG is carrying over less unspent funds from the prior year; a decrease in federal and state revenues (\$1,590,244) which are matched by reduction in grant expenditures, and decreases in all other revenues (\$1,126,582). For the most part, reductions in resources are matched by reductions in requirements.
- Total LCOG requirements, excluding transfers, for FY2012-13 is 12.4% lower than FY2011-12 (\$25,990,289 versus \$29,679,934 or \$3,689,645 less than FY2011-12). This resulted from the combination of a decrease in personal services and materials and services expenditures by \$2,778,128; and decreases in capital outlay by \$841,652; debt service by \$15,702; services by other organizations of \$94,163; and increases to loans made to small businesses by \$40,000.
- Total LCOG overall ending reserves in FY2012-13 is 10.1% lower than FY2011-12 (\$5,249,766 versus \$5,837,774) or \$588,008 less than FY2011-12. The reduction in federal and state revenues accounts for \$497,090 or 85% of the reduction in ending reserves. As LCOG expends more funds on projects or as multi-year projects phase out, overall unspent funds (reserves) will fluctuate.

LCOG was successful in stabilizing General Fund reserves in FY2012-13. General Fund operating reserves value at June 30, 2013 was \$227,322. The performance is especially noteworthy in that in April 2013 a deficit of \$45,838 was projected at June 30, 2013. Success was achieved through a combination of new leadership, staff concessions, implementing LIFT project outcomes, reorganizing LCOG's service structure, and putting into place measures that ensured consistent and transparent accounting over all LCOG finances.

Financial Highlights, continued

- LCOG services were fairly stable for the year, with a combined current year *operating* performance reduction of \$161,910. (Operating performance is the net of resources excluding transfers and reserves less requirements excluding transfers). The current year overall net change of \$161,910 is a combination of a positive performance by the General Fund of \$375,604 and decreases of \$537,514 from direct service areas. Detail to the decreases in direct services is as follows: \$352,815 net decrease from Grants and Contracts (government services programs - transportation, planning, and telecommunications contributed \$317,350 to the net decrease; senior and disabled services share is \$35,465); and \$184,698 net decrease from Enterprise programs (consisting of loan programs \$81,101 decrease; buildings \$109,947 decrease; and a positive \$6,350 from minutes recording services). FY2012-13 is an improved performance compared to FY2011-12 shortage of \$310,868.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to LCOG's basic financial statements. LCOG's basic financial statements are comprised of three components: 1) *government-wide financial statements*; 2) *fund financial statements*; and 3) *notes to the financial statements*. The following table summarizes the major features of LCOG's financial statements, including the area of operations they cover and the types of information they contain.

Major Features of the LCOG's Government and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	All of LCOG (except: Fiduciary Funds)	Activities of LCOG that are not proprietary or fiduciary	Activities LCOG operates similar to private businesses	LCOG is the trustee or agent for other agency resources
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenditures and Changes in Fund Balances Statement of Cash Flows	Statement of Net Position
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term.

Government-wide Financial Statements

The first two financial statements that appear in the Annual Report are the *government-wide financial statements*. Government-wide financial statements include the *Statement of Net Position* and *Statement of Activities*. Government-wide financial statements present an overall picture of LCOG's financial position and results of operations.

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 Disabled Services. Federal, state and local grants and contracts finance most of these activities.

Business-type activities – LCOG's real property management (building program) and loan Programs are reported here, as is minutes recorder services. Charges for service are the primary source of revenue for business-type activities.

Governmental activities are those accounted for in the governmental funds. Business-type activities are synonymous with the enterprise funds. All activity regardless of the type of funds or accounting methodology is brought together in the government-wide statements. These statements bring together the consolidated picture of LCOG's financial activity rather than on a fund by fund basis. As a result, all assets and liabilities are accounted for, including the inflows and outflows of resources. By presenting all fund information at the activity level, a complete picture of LCOG's financial position can be determined.

The Statement of Net Position and Statement of Activities both present LCOG services at the program service level - governmental activities and business-type activities. The Statement of Net Position recasts the Balance Sheet based on the definition of the effort being governmental or entrepreneurial (business-type activity). The Statement of Activities provides detail to how net position changed from the beginning of the fiscal year to the end of the fiscal year and presents revenues and expenses by the activity generating the resources or expending the funds.

Statement of Net Position

The Statement of Net Position presents information on all of LCOG's assets and liabilities with the difference reported as net position. 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, 2013.

This statement 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.

On the following table, the Statement of Net Position is summarized. Overall net position was \$4,968,409 at June 30, 2013.

Statement of Net Position, continued

Statement of Net Position						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 4,797,852	\$5,066,323	\$5,946,550	\$6,282,309	\$10,744,402	\$11,348,632
Capital assets	\$ 449,951	\$488,285	\$9,920,744	\$10,363,860	\$10,370,695	\$10,852,145
Total assets	\$ 5,247,803	\$5,554,608	\$15,867,294	\$16,646,169	\$21,115,097	\$22,200,777
Current liabilities	\$ 2,329,253	\$2,532,938	\$1,018,738	\$961,579	\$ 3,347,991	\$3,494,517
Noncurrent liabilities	\$ 1,165,325	\$2,804,676	\$11,633,372	\$10,520,797	\$12,798,697	\$13,325,473
Total liabilities	\$ 3,494,578	\$5,337,614	\$12,652,110	\$11,482,376	\$16,146,688	\$16,819,990
Net assets:						
Invested in capital assets, net of related debt	\$ 449,951	\$ 488,285	\$ 825,246	\$ 2,625,617	\$ 1,275,197	\$ 3,113,902
Restricted	\$ 2,512,188	\$ 3,009,472	\$2,389,938	\$ 1,311,000	\$ 4,902,125	\$ 4,320,472
Unrestricted	\$ (1,208,913)	\$ (3,280,763)	\$ -	\$ 1,227,176	\$ (1,208,913)	\$ (2,053,587)
Total Net Position	\$ 1,753,225	\$ 216,994	\$ 3,215,184	\$ 5,163,793	\$ 4,968,409	\$ 5,380,787

Overall net position for 2013 (at 6/30/13) compared to 2012 (at 6/30/12) decreased by \$412,378.

*A correction to the fund obligation of Schaefer's Building debt resulted in a reclassification of the liability from Governmental activities to Business-type activities which accounts for the material change in net position between the activities when comparing 2013 to 2012. See note 16 in the Notes to Financial Statements for additional detail.

As noted in the above statement, total assets of \$21,115,097 exceeded total liabilities of \$16,146,688 by \$4,968,409 at the close of 2012-2013. Assets of \$5,247,803 are in governmental activities which is 24.9% of the total assets (similar to FY2011-12 at 25.1%). Assets of \$15,867,294 are in the business-type activities which is 75.1% of the total assets.

A significant change (a reduction of \$1,843,036) in the liabilities of the governmental activities took place in FY2012-13 (FY2012-13 \$3,494,578 versus \$5,337,614 from FY2011-12). A prior period adjustment was made to financial records to correctly classify Park Place Building's loan debt in business-type activities (in prior years the debt was noted as a governmental activity).

Contributions to the total net position of \$4,968,409 consist of \$1,753,225 in governmental activities (General Fund; Special Revenue Funds) and \$3,215,184 in business-type activities (Building Funds, Loan Program Funds, and Minutes Recorder). Of the total (all activities) net position of \$4,968,409 at 6/30/13 (\$1,208,913) is classified as unrestricted. Compared to the prior year 2011-2012 unrestricted balance of (\$2,053,587), FY13 as a material positive change of \$844,674.

Statement of Net Position, continued

Of the governmental activities net position of \$1,753,225, approximately \$1,582,507 of the \$2,512,188 net position is restricted for the telecommunications consortium which manages the telephone charges and the equipment reserve for the participating agencies; Grants and Contracts total \$929,681 for the balance of restricted reserves. In terms of net position for business-type activities, \$3,215,184 or 64.8% of total net position is in business activities (\$865,905 buildings; \$2,349,279 loan program).

Overall LCOG's net position decreased by 7.7% or \$412,378 (\$4,968,409 versus \$5,380,787 in FY2011-2012). By activity, the overall decrease is a combined result of an overall net increase of \$1,536,231 in governmental activities (General Fund; Special Revenue Funds); and a decrease of \$1,948,609 in business-type activities (Building Funds; Loan Programs; Minutes Recorder).

Statement of Activities

The Statement of Activities presents information showing how LCOG's net position changed during the fiscal year. This statement presents the same values the Statement of Net Position presents – LCOG's net position at June 30, 2013. However, the Statement of Activities brings the financial activity of the government-wide financial statements together in one place and focuses on how LCOG financed its services in FY13. Revenues and expenditures are reported when the underlying event giving rise to the transaction occurs, regardless of when the cash is received or paid. The statement separates general revenues, expenses, and transfers from program revenue and expenditures.

By presenting financial information by program area and service, the Statement of Activities presents program revenues and matching program expenses which enable a review of the current year performance of the service area. The statement's expenses column compares the costs of LCOG's services and programs with the program revenue columns – resources each activity generates (program revenues). To the degree that functions or programs cost more than they earn, the statement shows how LCOG chose to finance the difference (via general revenues and transfers). So we have the Net Position at June 30, 2013 and what caused the change in the position during the fiscal year.

A summary table of all activities is shown the following page. For 2012-13 total revenues are \$24,875,510 compared to FY2011-12 total revenues of \$27,811,968 (a reduction of \$2,936,458). In terms of the composition of the program revenues for FY2012-13 charges for services was \$6,879,042, operating grants and contributions provided \$17,633,984, and \$362,484 was provided by interest on investments and member dues. As noted on the Statement of Activities (page 21), the program contributing the most revenues was the Senior and Disabled Services at \$13,755,908 or 55.3% of the total revenues.

Fluctuations in the level of grants and contracts will directly influence the changes in revenues for any fiscal year for LCOG and are not indicative of declining funds in that, because LCOG is a grants and contracts funded agency, expenditures are decreased as well (a change of \$2,993,529 less expenditures in FY2012-13 than 2011-2012). For example, year two of a large ODOT grant was \$1.9 million less in FY13 than the prior year as a result of project requirements being less than FY12.

Statement of Activities, continued

The following is a summary of the statement with all revenues and expenditures assigned to governmental activities or business-type activities with a comparison between June 30, 2013 and June 30, 2012.

Statement of Activities Changes in Net Position (Current Year Performance)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Program Revenues:						
Charges for services	\$5,122,453	\$5,673,232	\$1,756,589	\$2,018,221	\$6,879,042	\$7,691,453
Operating grants and contributions	17,633,984	19,233,291	-	-	17,633,984	19,233,291
General revenues:						
Member dues	195,879	233,848	-	-	195,879	233,848
Loan proceeds	-	-	-	418,000	-	418,000
Unrestricted investment earnings	-	-	166,605	235,376	166,605	235,376
Total revenues	\$22,952,316	\$25,140,371	\$1,923,194	\$2,671,597	\$24,875,510	\$27,811,968
Program Expenses:						
Board/Executive	178,135	880,594	-	-	178,135	880,594
Government Services	8,937,325	11,936,489	-	-	8,937,325	11,936,489
Senior and Disabled Services	13,783,793	13,072,160	-	-	13,783,793	13,072,160
Interest on Long Term Debt	67,947	24,043	-	-	67,947	24,043
Loss on disposition of capital assets	-	7,960	-	-	-	7,960
Tenant improvement costs	-	-	46,096	-	46,096	-
Park Place Building	-	-	1,157,348	1,164,945	1,157,348	1,164,945
Schaefer's Building	-	-	284,984	360,312	284,984	360,312
Springfield Building	-	-	255,269	247,902	255,269	247,902
Minutes Recorder	-	-	65,467	55,156	65,467	55,156
Loan Program	-	-	473,694	494,026	473,694	494,026
Total expenses	\$22,967,200	\$25,921,246	2,282,858	2,322,341	25,250,058	28,243,587
Change in net position before transfers	(14,884)	(780,875)	(359,664)	349,256	(374,548)	(431,619)
Transfers	(103,597)	53,235	103,597	(53,235)	-	-
Change in net position	(118,481)	(727,640)	(256,067)	296,021	(374,548)	(431,619)
Net position, July 1	216,994	605,731	\$5,163,793	\$4,867,772	\$5,380,787	\$5,473,503
Prior Period Adjustment	1,654,712	338,903	(1,692,542)	-	(37,830)	338,903
Net position, June 30	\$1,753,225	\$216,994	\$3,215,184	\$5,163,793	\$4,968,409	\$5,380,787

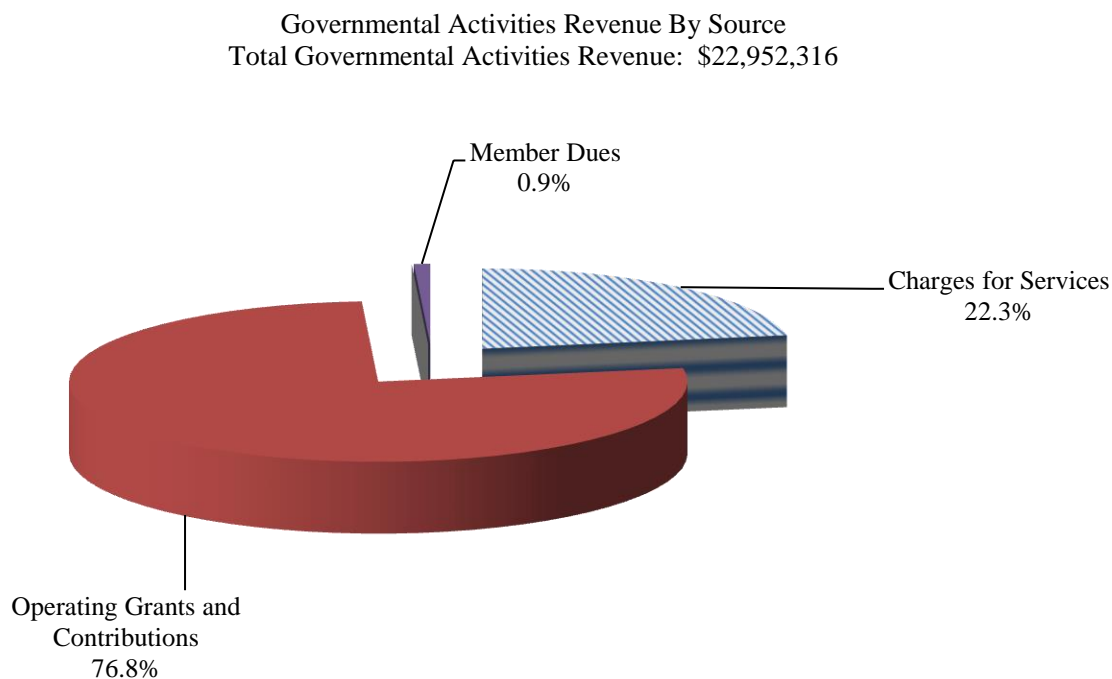
Statement of Activities, continued

Governmental activities

Governmental activities are 92.3% of all activity revenues and 91.0% of all activity expenditures. Total revenues are \$22,952,316 and total expenditures are \$22,967,200. Approximately 98% of governmental activity revenue comes from two primary sources: 76.8% of governmental revenues are from grants and contracts and 22.3% are from charges for services. The balance of revenues is member dues. (For a historical perspective of member dues, see the Statistical section of this document).

Net position for governmental activities, at \$1,753,225 is an improvement of \$1,536,231 from the prior year (a prior period adjustment corrected historical understatement of governmental activities net position. See note 16 in the Notes to Financial Statements section of this document for detail).

The following chart shows the type of revenue for each major *governmental* activity:



Revenue detail: Governmental Activities					
	Charges for Service	Grants/Contributions	Member Dues	Total Revenue	
Board/Executive	\$ 311,079	\$ -	\$ 195,879	\$	506,958
Government Services	\$ 2,361,194	\$ 6,328,256	\$ -	\$	8,689,450
Senior & Disabled Services	\$ 2,450,180	\$ 11,305,728	\$ -	\$	13,755,908
Total Revenue	\$ 5,122,453	\$ 17,633,984	\$ 195,879	\$	22,952,316

Statement of Activities, continued

Governmental activities, continued

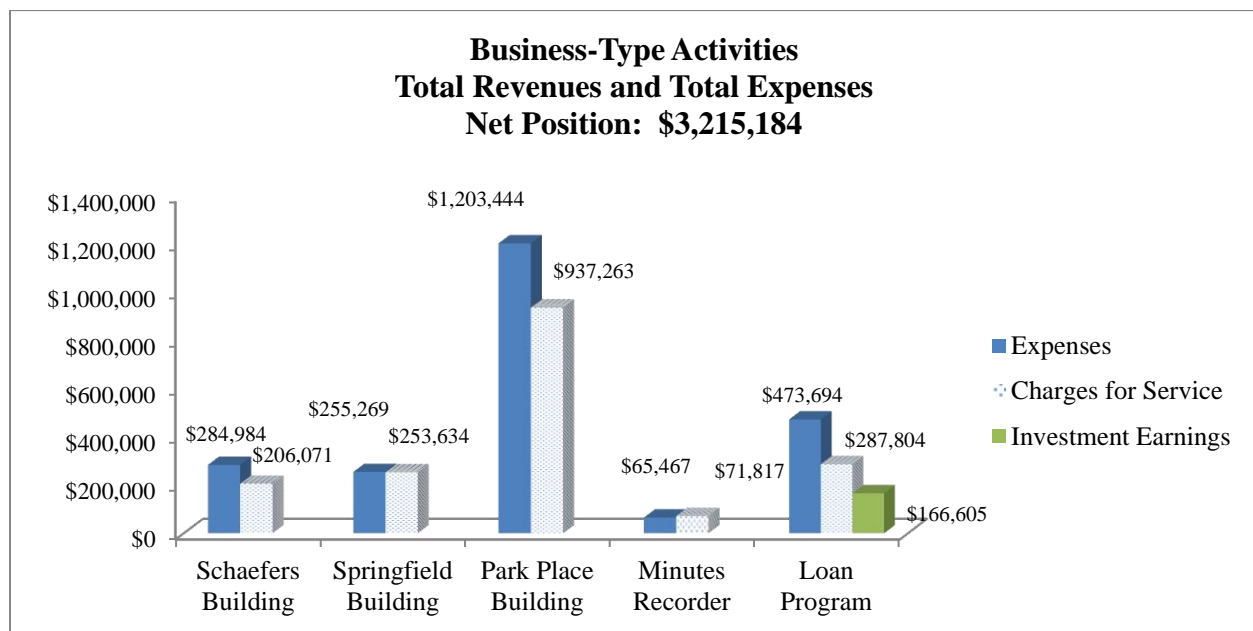
The financial statement on page 21 of this document details the revenue by source: Senior and Disabled Services received \$11,305,728 or 82.2% of its revenue from operating grants and contributions, while Government Services received \$6,328,256 or 72.8% of its revenue from operating grants and contracts.

Business-Type Activities

The following chart shows the revenue and expense for the *business-type* activities. For business-type activities, the total revenues are \$1,923,194 and total expenditures are \$2,282,858 (excluding transfers). These activities represent 7.7% of all activity revenues (\$1,923,194) and 9.1% of all activity expenses (\$2,282,858). Detail to the building program is noted in the chart below.

Per the table on page 9 of this section, approximately 91.4% of business activities revenue is from charges for services with the balance of revenues being from investment earnings (\$166,605 or 8.7% of business activity revenues). The loan program accounts for 20.8% of business-type activity expenditures and the minutes recorder program accounts for 2.8% of expenditures with the balance (76.4% or \$1,743,697 of \$2,282,858) being expenditures of the building program.

Factoring in transfers and beginning balance, the business-type activities ending balance at June 30, 2013 totaled \$3,215,184 which is 64.8% of the total net position all activities. (For a composition of balance by fund type, see table on page 13).



*Park Place Building's net position declined in FY13 as a result of a prior period adjustment. See note 16 in Notes to Financial Statements for detail.

Fund Financial Statements: Reporting on LCOG's most significant funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual 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.

Governmental Fund Financial Statements

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.

Statements in this section provide detailed information about LCOG's most significant funds – not LCOG as a whole. In addition to fund financial statements, reconciliations are also provided. These 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.

Governmental Fund Financial Statements include:

- Balance Sheet
- 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 *Balance Sheet* presents the Governmental Funds – General Fund and Special Revenue Funds and provides traditional financial information regarding assets, liabilities and fund balance. The *Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds* provides detail to the revenues and expenditures which created the change in fund balance.

Per the Balance Sheet, total assets at June 30, 2013 are \$4,797,852; liabilities totaled \$1,780,086 with fund balance at \$3,017,766, which is \$228,845, or 7.1% less than June 30, 2012 (\$3,246,611). In terms of the overall fund balance at June 30, the amount of fund balance that is unassigned (not restricted) improved by \$647,524 – from a negative <\$431,820> to a positive \$215,704. As a result there was marked improvement in the performance compared to the prior year balance. The \$3,017,766 fund balance by major fund is as follows: \$505,578 in the General Fund, \$1,582,507 reserved for Telecommunications, and \$929,681 designated for Grants and Contracts.

Governmental Fund Financial Statements, continued

The *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* tracks the flow of resources in and out of the governmental funds. In addition to revenues and expenditures coming in and going out of LCOG finances, “other financing sources and uses” are also noted. The statements separate revenues and expenditures to facilitate assessing the balance between operating revenues and expenditures related and from other financing sources (uses). The fund balance noted on this statement - \$3,017,766 - matches the fund balance noted on the balance sheet (\$3,017,766).

As noted on the Statement of Revenues and Expenditures, and Changes in Fund Balance, the change in fund balance from FY2011-2012 to FY2012-2013 of (\$228,845) is a combination of a negative (\$125,248) performance before other financial sources/uses of \$103,597 are provided. When other financing is factored in, the net change in fund balances is \$228,845 negative. As noted previously, governmental funds balance at 7/1/12 was \$3,246,611 and at 6/30/13 the balance ended at \$3,017,766 – resulting in the \$228,845 negative net change in fund balance at June 30, 2013.

Proprietary Funds Financial Statements

Proprietary fund statements reports on activities financed by revenues generated by the activities themselves – charges for services. *The Statement of Net Position – Proprietary Funds* and *Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds* presents data for the enterprise activities – Building funds, Loan Program funds and Minutes Recorder fund.

For Proprietary Fund Statements includes:

- Statement of Net Position – Proprietary Funds;
- Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds;
- Statement of Cash Flows -Proprietary Funds; and
- Statement of Fiduciary Net Position – Proprietary Funds

The *Statement of Net Position – Proprietary Funds* provides information about the five programs that comprise LCOG’s proprietary fund group: Building Program (three programs: Park Place Building; Schaefers Building; Springfield Building); Loan Programs and Minutes Recorder. Four of the five programs within proprietary funds had a positive net position at June 30, 2013. The \$3,215,184 net position of these funds is distributed as follows:

Proprietary fund at June 30, 2013	Net Position
Schaefers Building	\$ 249,163
Springfield Building	\$ (204,071)
Park Place Building*	\$ 820,813
Loan Programs	\$ 2,349,279
Minutes Recorder	\$ -
Total Net Position at June 30, 2013	\$ 3,215,184

The proprietary ending net position at June 30, 2013 (\$3,215,184) is \$1,948,609 less than June 30, 2012. As noted in other sections of this document, a prior period adjustment of \$1,692,542 makes up 87% of the change in net position. The adjustment was a correction of the classification of a debt obligation from governmental funds to proprietary funds. For more information about this adjustment see note 16 in the Notes to Financial Statements of this document.

Proprietary Funds Financial Statements, continued

Fiduciary Fund Financial Statement

Fiduciary funds are held by LCOG but belong to other entities. For Fiduciary Funds, the financial statement is the *Statement of Fiduciary Net Position – Fiduciary Funds*. The Statement of Net Position – Fiduciary Funds provides a high level view of the finances of the 9-1-1 PSAP agency. This agency is external to LCOG which is why we report the information separate and distinct from LCOG fund financial statements. At June 30, 2013 the balance in the fund was \$488,485.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them. For example: details regarding changes in capital assets (additions or deletions); a description of the each debt instrument within long-term debt and the expected commitments for the next fiscal year; and detail about our investments, cash, receivables and transfers are all within the footnotes.

Required Supplemental Information

Other key financial statements follow the financial section of this document. Within the “Required Supplemental Information” section are statements that provide detail information to the revenues, expenditures and changes in fund balance (budget and actual) for the following specific fund groupings:

- General Fund
- Telecommunications
- Grants and Contracts
- Enterprise Fund

These statements provide an indication of the degree which current revenues paid for current expenditures. The statement removes the other financing sources as a separate section, providing a clear indication of how much reliance was placed upon other sources to cover expenditures.

In addition, the *Schedule of Expenditures of Federal Awards* and *Notes to the Schedule of Expenditures of Federal Awards* are required information. This schedule provides a detail accounting of the federal awards received and accounted for during the FY2012-2013 year (located in the Grants and Compliance section of this document).

General Fund

The General Fund ended the fiscal year with a positive \$227,322 balance. As noted in the statement, the budgeted balance was projected to end in a negative \$45,838. The positive balance is a significant improvement. Other financing sources information details that the General Fund received \$273,177 and transferred out \$232,305 to other LCOG funds for a net \$40,872 from other financial sources or uses.

Required Supplemental Information, continued

Telecommunications

The Telecommunications Fund ended the fiscal year with a positive \$1,582,507. The fund balance is restricted by jurisdiction/participating agency for the telecommunications system (LCOG's share is \$57,435).

Grants and Contracts

The Grants and Contracts fund accounts for the financial activities of the Government Services special revenue activities and the Senior and Disabled Services special revenue activities (it excludes Telecommunications). The total revenues noted in this statement at June 30, 2013 are \$21,487,334 which is a \$2,263,056 reduction from the prior year. Expenditures totaled \$21,759,584 which is a \$2,186,488 reduction from the prior year. As noted previously, reductions in grants and contracts revenue will also result in a reduction in expenditures. Overall, operating revenues were less than expenditures by \$272,250. Other financing sources reflect that a net \$53,686 in support was provided via transfer of funds to Grants and Contracts to assist with operating costs. The fund balance at June 30, 2013 was \$960,219, which is a reduction of \$188,026 from the prior year ending balance at June 30, 2012.

Enterprise Funds

The Enterprise fund accounts for the financial activities of the Loan Program, Building Program and Minutes Recorder services. The total revenues noted on this statement at June 30, 2013 are \$2,876,062, which consists of \$1,447,071 Building program; \$1,357,174 Loan Program; and \$71,817 Minutes Recorder program. The total fund balance at the end of the year is \$2,510,256 (all restricted for loan program).

Combining Statement – Agency Fund

Also provided is a *Combining Statement of Changes in Assets and Liabilities* for the Agency Fund (9-1-1 PSAP). Total assets and liabilities of the PSAP fund at 6/30/13 is \$488,485.

Supplementary Schedules

Non-Major Governmental Fund Statements

LCOG provides additional information that is not required by our auditors but is important information for any reader of the annual report. These are considered non-major fund statements. Statements in this section are the primary statements that LCOG staff rely upon to direct the financing activities for the year. Key footnotes are on these schedules providing additional detail regarding the changes and details to the numbers on the schedule.

Non-major governmental fund statements reflect resources and requirements and actual fund performance compared to the budget. They include:

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

Non-Major Proprietary Fund Statements

Non-major proprietary fund statement for the Loan Program – highlighting one of six loan funds within the Loan Program: the Intermediary Relending Program. Statements provided are: *Statement of Net Position* and *Statement of Revenues, Expenses and Changes in Net Position*.

Combining Statement of Changes in Assets and Liabilities – Agency Funds.

Included is the Combining Statement of Changes in Assets and Liabilities - Agency Funds.

Other Supplementary Information

The *Other Supplementary Schedules* section includes compliance to Oregon Minimum Standards for audits. LCOG's long term debt detail, and schedule of receivables and deferred revenue for grants and contracts, is also provided.

Statistical Section

And lastly, a *Statistical* section is provided that would be useful for an overall review of the year ending June 30, 2013. Comparative data for the last ten years is provided on financial, revenue and operating indicators.

Additional Information

The Management's Discussion and Analysis ends with highlighted information regarding LCOG's long-term debt activity, capital assets, and detail to the guiding principles used to develop the upcoming FY2013-14 budget.

Long-Term Debt Activity

LCOG had no new external loans in FY13. A total of \$1,118,438 was expended on long-term debt (principal and interest) for 2012-2013. The following information details the amount expended for long-term debt by fund for the fiscal year 2012-2013:

<u>Long-term Debt by Fund</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
General Fund	\$ 32,813	\$ 67,947	\$ 100,760
Enterprise Funds: Building Program	\$ 336,125	\$ 474,482	\$ 810,607
Enterprise Funds: Loan Program	<u>\$ 174,581</u>	<u>\$ 32,490</u>	<u>\$ 207,071</u>
Total expenditures for FY2012-2013	\$ 543,519	\$ 574,919	\$ 1,118,438

For more information on long-term debt, see note 8 in Notes to Financial Statements.

Capital Assets

The following table provides a comparison of the beginning balance at 7/1/2012 to the ending balance at 6/30/13 for capital assets.

Capital Assets, continued

Lane Council of Governments Capital Assets, Net of Accumulated Depreciation
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Governmental Activities:

Fixed Assets

Leasehold Improvements	172,396	-	-	172,396
Vehicles	103,178	-	-	103,178
Furniture & Equipment	682,446	22,601	-	705,047
Total	958,020	22,601	-	980,620

Accumulated Depreciation

Leasehold Improvements	111,502	15,848	-	127,350
Vehicles	45,321	14,740	-	60,061
Furniture & Equipment	312,913	30,345	-	343,258
Total	469,736	60,933	-	530,669

Net Capital Assets - Governmental	488,284			449,951
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Business Type Activities

Fixed Assets

Land & Land Improvements	735,830	-	-	735,830
Buildings	8,266,516	-	-	8,266,516
Improvements	5,531,874	51,809	-	5,583,683
Total	14,534,220	51,809	-	14,586,029

Accumulated Depreciation

Buildings	1,678,494	211,619	-	1,890,113
Improvements	2,491,866	283,305	-	2,775,171
Total	4,170,360	494,925	-	4,665,285

Net Capital Assets - Business-type	10,363,860			9,920,744
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Net Capital Assets, All	10,852,145			10,370,695
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above figures are rounded

Total LCOG assets are \$10,370,695 for 2012-2013 compared to \$10,852,145 for the prior year, which is a reduction in book value of \$481,450. The net reduction is as a result of assets having additional accumulated depreciation (\$555,858) and new assets added (\$74,408). Fixed asset additions include a copier replacement for Cottage Grove office and a production camera/video. For more information on capital assets, see note 6 in Notes to Financial Statements.

Forecast and Projection Estimates used for the FY2013-2014 Budget

LCOG developed guiding principles in framing the development of the FY2013-14 budget as follows:

Forecast and Projection Estimates used for the FY2013-2014 Budget, continued

- The organization will continue to stabilize the General Fund in FY13 – FY15 with a targeted goal over the next three fiscal years of creating a General Fund reserve that will provide funds sufficient to offset or mitigate the loss of operating revenues or unanticipated expenditures and be in compliance with adopted reserve policies.
- 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.
- All new programs or program changes (reductions or enhancements) will be presented to the Board.
- LCOG will continue to strive for structurally balanced and stable annual budgets.

LCOG factored in economic indicators regarding the long-term impact of the local and state economies as they pertain to LCOG resources as well as changes to LCOG's base expenditures in forecasting the FY2013-14 budget. For example, Senior and Disabled Services (S&DS) is a financially significant service area of LCOG. S&DS has two primary functions and sources of funding. First, as Lane County's Area Agency on Aging, S&DS receives funding through the Older Americans Act. Second, as a Type B Transfer agency, S&DS has a contract with Oregon's Department of Human Services to provide Medicaid and Food Stamps services to seniors and people with disabilities in Lane County.

Historically, Type B Transfer agencies have been funded significantly lower than comparable State-operated senior and disabled programs. Should funding differences grow in comparison with the same or greater program delivery expectations S&DS may have to rely upon additional resources, such as new contracts for services, donations and fundraising, to maintain adequate staffing and service levels in the program.

In factoring in the guiding principles and economic factors, the following major assumptions were used in developing the budget:

1. The CPI is used to project the cost increases for certain charges for services. The CPI for the prior year was 1.69% (August Annual Average 2012 CPI-U for US). In developing the cost increase to apply to Member Dues, it was determined that the CPI will not be used as a factor in projecting Member Dues increase - the percentage used to compute the dues rate increase will be flat - 0.0% - with the continued 16.5% reduction on Dues from 2012-13 remaining in place.
2. Health Insurance premiums are projected to increase at least 4% in FY14. The goal for FY14 will be to continue to limit the increase using plan adjustments and/or employee participation in premiums.

Forecast and Projection Estimates used for the FY2013-2014 Budget, continued

3. A cost of living adjustment will be budgeted for the fiscal year for LCOG staff. (A 1.5% increase was in effect FY13). SEIU will receive an additional 1.5% on June 1, 2014. Overall FY14 salaries then will be greater than FY13 adopted budgeted salaries as a result.
4. Employees are eligible for 3.5% annual merit increases. However, over 50% of eligible employees will be at the top step of their salary range, which means that they are not eligible for merit increases.
5. Specific details of compensation and health insurance will be determined through negotiations with the LCOG bargaining units. The EA contract expires December 31, 2013. The SEIU contract expires June 30, 2014. Both contracts will be open for negotiations during FY14 and results will be applied to the FY15 budget forecast.
6. The current LCOG employer PERS rate is 12.63% and the OPSRP rate is 11.35%, up by .11%. LCOG will budget the remaining 4.39% of a total 4.50% anticipated increase in rates on July 1, 2014.
7. LCOG's overall employee compensation, including salaries and benefits, will be comparable to similar positions in the same job market. This is required to attract and retain quality employees.
8. LCOG will continue to build the General Fund reserve in conjunction with expected targeted outcomes of the approved reserve policy.
9. LCOG will fund compensated absences account (earned vacation balances) at 50% of the total amount of the liability and place a cap on the vacation payout. Any cap will be consistent with approved LCOG bargaining unit contracts. (Per generally accepted accounting principles (GAAP) the liability for compensated absences is reconciled at year-end to equal 100% of accumulated vacation value on June 30).

Contact Information

This annual report is designed to provide interested parties with a general overview of Lane Council of Governments' finances and to demonstrate LCOG's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to:

Janell Wooten
Financial Services Manager
859 Willamette Street, Suite 500
Eugene, Oregon 97401

Telephone: 541 682-6529
Email: jwooten@lcog.org

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Statement of Net Position

Statement of Activities

LANE COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 2,494,625	\$ 2,920,877	\$ 5,415,502
Accounts receivable	1,848,694	30,932	1,879,626
Current maturities of loans receivable	-	443,680	443,680
Accrued interest receivable	-	13,130	13,130
Due from other funds	418,000	-	418,000
Prepaid expense	36,533	42,206	78,739
Total current assets	<u>4,797,852</u>	<u>3,450,825</u>	<u>8,248,677</u>
Noncurrent assets:			
Loans receivable, net of current maturities	-	2,471,766	2,471,766
Financing costs, net of accumulated amortization	-	23,959	23,959
Capital assets, net of accumulated depreciation	449,951	9,920,744	10,370,695
Total noncurrent assets	<u>449,951</u>	<u>12,416,469</u>	<u>12,866,420</u>
Total assets	<u>5,247,803</u>	<u>15,867,294</u>	<u>21,115,097</u>
LIABILITIES			
Current liabilities:			
Accounts payable	430,741	7,919	438,660
Accrued payroll and related liabilities	1,110,102	16,293	1,126,395
Accrued interest payable	7,370	43,493	50,863
Due to other funds	-	418,000	418,000
Unearned revenue	239,243	-	239,243
Compensated absences	506,682	-	506,682
Current maturities of loans payable	35,115	533,033	568,148
Total current liabilities	<u>2,329,253</u>	<u>1,018,738</u>	<u>3,347,991</u>
Noncurrent liabilities:			
Long-term debt, net of current maturities	1,165,325	11,620,763	12,786,088
Security deposits	-	12,609	12,609
Total noncurrent liabilities	<u>1,165,325</u>	<u>11,633,372</u>	<u>12,798,697</u>
Total liabilities	<u>3,494,578</u>	<u>12,652,110</u>	<u>16,146,688</u>
NET POSITION			
Net Investment in capital assets	449,951	825,246	1,275,197
Restricted for:			
Telecommunications	1,582,507	-	1,582,507
Grants and Contracts	929,681	-	929,681
Restricted (includes USDA, EDA)	-	2,389,938	2,389,938
Unrestricted	<u>(1,208,913)</u>	<u></u>	<u>(1,208,913)</u>
Total net position	<u>\$ 1,753,225</u>	<u>\$ 3,215,184</u>	<u>\$ 4,968,409</u>

The accompanying notes are an integral part of the financial statements.

LANE COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

	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	\$ 178,135	\$ 311,079	\$ -	\$ 132,944	\$ -	\$ 132,944
Government services	8,937,325	2,361,194	6,328,256	(247,875)	-	(247,875)
Senior and disabled services	13,783,793	2,450,180	11,305,728	(27,885)	-	(27,885)
Interest on long-term debt	67,947	-	-	(67,947)	-	(67,947)
Total governmental activities	22,967,200	5,122,453	17,633,984	(210,763)	-	(210,763)
Business-type activities:						
Park Place Building	1,157,348	937,263	-	-	(220,085)	(220,085)
Springfield Building	255,269	253,634	-	-	(1,635)	(1,635)
Schaefer's Building	284,984	206,071	-	-	(78,913)	(78,913)
Loan program	473,694	287,804	-	-	(185,890)	(185,890)
Minutes recording	65,467	71,817	-	-	6,350	6,350
Total business-type activities	2,236,762	1,756,589	-	-	(480,173)	(480,173)
Total activities	<u>\$ 25,203,962</u>	<u>\$ 6,879,042</u>	<u>\$ 17,633,984</u>	<u>(210,763)</u>	<u>(480,173)</u>	<u>(690,936)</u>
General revenues (expenses) and transfers:						
Unrestricted investment earnings				-	166,605	166,605
Member dues				195,879	-	195,879
Gain (loss) on sale of equipment				-	-	-
Tenant improvement expenses				-	(46,096)	(46,096)
Transfers				(103,597)	103,597	-
Total general revenues and transfers				<u>92,282</u>	<u>224,106</u>	<u>316,388</u>
Change in net position				(118,481)	(256,067)	(374,548)
Net position, beginning of year				216,994	5,163,793	5,380,787
Prior period adjustment				<u>1,654,712</u>	<u>(1,692,542)</u>	<u>(37,830)</u>
Net position, end of year				<u>\$ 1,753,225</u>	<u>\$ 3,215,184</u>	<u>\$ 4,968,409</u>

The accompanying notes are an integral part of the financial statements.

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 (Deficit) – Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Net Position (Deficit) Proprietary Funds
- Statement of Cash Flows – Proprietary Funds

Fiduciary Funds

- Statement of Fiduciary Net Position – Fiduciary Funds

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

LANE COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Tele- Communications	Grants and Contracts	Total Governmental Funds
ASSETS				
Cash and investments	\$ 379,115	\$ 1,468,764	\$ 646,746	\$ 2,494,625
Prepaid expenditures	36,533	-	-	36,533
Accounts receivable	17,418	136,120	1,695,156	1,848,694
Due from other funds	418,000	-	-	418,000
Restricted cash and investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 851,066</u>	<u>\$ 1,604,884</u>	<u>\$ 2,341,902</u>	<u>\$ 4,797,852</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable	3,043	22,377	405,321	430,741
Accrued payroll and related liabilities	342,355	-	767,747	1,110,102
Unearned Revenue	90	-	239,153	239,243
	<u>345,488</u>	<u>22,377</u>	<u>1,412,221</u>	<u>1,780,086</u>
Total liabilities	<u>345,488</u>	<u>22,377</u>	<u>1,412,221</u>	<u>1,780,086</u>
Fund balances:				
Nonspendable	36,533	-	-	36,533
Restricted to:				-
Telecommunications	-	1,582,507	-	1,582,507
Grants and Contracts	-	-	929,681	929,681
Committed	-	-	-	-
Assigned to Compensated Absences	253,341	-	-	253,341
Unassigned	215,704	-	-	215,704
	<u>505,578</u>	<u>1,582,507</u>	<u>929,681</u>	<u>3,017,766</u>
Total fund balances	<u>505,578</u>	<u>1,582,507</u>	<u>929,681</u>	<u>3,017,766</u>
Total liabilities and fund balances	<u>\$ 851,066</u>	<u>\$ 1,604,884</u>	<u>\$ 2,341,902</u>	<u>\$ 4,797,852</u>

The accompanying notes are an integral part of the financial statements.

**LANE COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE BALANCE SHEET --
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total fund balances - governmental funds		\$ 3,017,766
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.		449,951
Loan costs are expensed by governmental funds in the year paid but are capitalized on the statement of net assets and amortized over the term of the loan.		-
Some liabilities are not due and payable in the current period and are therefore not reported in the funds:		
Loans payable	(1,200,439)	
Compensated Absences	(506,682)	
Accrued interest	(7,370)	
		<u>(1,714,491)</u>
Net position of governmental activities		<u>\$ 1,753,226</u>

The accompanying notes are an integral part of the financial statements.

LANE COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES --
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	General Fund	Tele- Communications	Grants and Contracts	Total Governmental Funds
Revenues:				
Member agency dues	\$ 195,879	\$ -	\$ -	\$ 195,879
Federal and state grants and contracts	-	-	17,378,504	17,378,504
Other local sources	311,079	958,025	3,853,349	5,122,453
In-kind services	-	-	255,481	255,481
Total revenues	506,958	958,025	21,487,334	22,952,317
Expenditures:				
Current:				
Board/executive services	178,631	-	-	178,631
Government services	-	1,038,591	7,923,595	8,962,186
Senior and disabled services	-	-	13,822,135	13,822,135
Debt service:				
Principal	32,813	-	-	32,813
Interest	67,947	-	-	67,947
Financing costs	-	-	-	-
Capital outlay	-	-	13,854	13,854
Total expenditures	279,391	1,038,591	21,759,584	23,077,566
Revenues over (under) expenditures	227,567	(80,566)	(272,250)	(125,248)
Other financing sources (uses):				
Transfers In	273,177	38,271	2,193,304	2,504,752
Transfers Out	(232,305)	(236,425)	(2,139,619)	(2,608,349)
Total other financing sources (uses)	40,872	(198,154)	53,685	(103,597)
Net change in fund balances	268,439	(278,720)	(218,564)	(228,845)
Fund balances, beginning of year	237,139	1,861,227	1,148,245	3,246,611
Fund balances, end of year	\$ 505,578	\$ 1,582,507	\$ 929,681	\$ 3,017,766

The accompanying notes are an integral part of the financial statements.

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 Year Ended June 30, 2013

Net change in fund balances - governmental funds	\$ (228,845)
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Amounts reported for governmental activities in the statement of activities are different because:

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	22,329
Loss on sale of assets	-
Depreciation expense	(60,663)

In the governmental funds, the issuance of long-term debt provides current financial resources and the repayment of long-term debt consumes current financial resources:

Principal payments on loans	32,812
Changes in Compensated Absences	115,886

Change in net assets of government activities	\$ (118,481)
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The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUNDS

- Statement of Net Position (Deficit) – Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Net Position (Deficit) Proprietary Funds
- Statement of Cash Flows – Proprietary Funds

LANE COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION (DEFICIT)
PROPRIETARY FUNDS
June 30, 2013

	Park Place Building	Springfield Building	Schaefers Building	Loan Programs	Minutes Recording	Total
ASSETS						
Current assets:						
Cash and investments	\$ 431,766	\$ 488	\$ 244	\$ 2,502,071	\$ (13,692)	\$ 2,920,877
Accounts receivable	-	-	-	14,225	16,707	30,932
Current maturities of loans receivable	-	-	-	443,680	-	443,680
Accrued interest receivable	-	-	-	13,130	-	13,130
Prepaid expense	7,174	35,032	-	-	-	42,206
Total current assets	438,940	35,520	244	2,973,106	3,015	3,450,825
Noncurrent assets:						
Restricted cash and investments	-	-	-	-	-	-
Loans receivable, net of current maturities	-	-	-	2,471,766	-	2,471,766
Deferred finance costs	10,931	8,882	4,146	-	-	23,959
Capital assets, net of accumulated depreciation	7,954,364	776,183	1,190,197	-	-	9,920,744
Total noncurrent assets	7,965,295	785,065	1,194,343	2,471,766	-	12,416,469
Total assets	8,404,235	820,585	1,194,587	5,444,872	3,015	15,867,294
LIABILITIES						
Current liabilities:						
Due to other funds	418,000	-	-	-	-	418,000
Accounts payable	180	-	-	5,264	2,475	7,919
Accrued payroll and related liabilities	977	488	243	14,045	540	16,293
Accrued interest payable	21,021	2,396	2,090	17,986	-	43,493
Unearned revenue	-	-	-	-	-	-
Current maturities of loans payable	291,476	29,889	35,188	176,480	-	533,033
Total current liabilities	731,654	32,773	37,521	213,775	3,015	1,018,738
Noncurrent liabilities:						
Long-term debt, net of current maturities	6,839,159	991,883	907,903	2,881,818	-	11,620,763
Security deposits	12,609	-	-	-	-	12,609
Total noncurrent liabilities	6,851,768	991,883	907,903	2,881,818	-	11,633,372
Total liabilities	7,583,422	1,024,656	945,424	3,095,593	3,015	12,652,110
NET POSITION (DEFICIT)						
Net investment in capital assets	823,729	(245,589)	247,106	-	-	825,246
Restricted by USDA; EDA; others	-	-	-	2,349,279	-	2,349,279
Unrestricted	(2,916)	41,518	2,057	(0)	-	40,659
Total net position (deficit)	\$ 820,813	\$ (204,071)	\$ 249,163	\$ 2,349,279	\$ -	\$ 3,215,184

The accompanying notes are an integral part of the financial statements.

LANE COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Park Place Building	Springfield Building	Schaefers Building	Loan Programs	Minutes Recording	Total
Operating revenues:						
Charges for services	\$ -	\$ -	\$ -	\$ 284,868	\$ 71,817	\$ 356,685
Rent	937,263	253,545	206,071	-	-	1,396,879
State revenue	-	-	-	-	-	-
Other	-	89	-	2,936	-	3,025
Total operating revenues	<u>937,263</u>	<u>253,634</u>	<u>206,071</u>	<u>287,804</u>	<u>71,817</u>	<u>1,756,589</u>
Operating expenses:						
Personal services	26,003	-	29,326	334,549	17,410	407,288
Materials and services	372,738	156,288	143,839	106,655	48,057	827,577
Provisions for loan losses	-	-	-	-	-	-
Principal/Interest on loans	-	-	-	-	-	-
Depreciation	379,105	41,147	74,673	-	-	494,925
Total operating expenses	<u>777,846</u>	<u>197,435</u>	<u>247,838</u>	<u>441,204</u>	<u>65,467</u>	<u>1,729,790</u>
Operating income	<u>159,417</u>	<u>56,199</u>	<u>(41,767)</u>	<u>(153,400)</u>	<u>6,350</u>	<u>26,799</u>
Nonoperating revenues (expenses):						
Interest income	-	-	-	166,605	-	166,605
Federal revenue	-	-	-	-	-	-
Tenant improvement costs*	(46,096)	-	-	-	-	(46,096)
Interest expense	(379,502)	(57,834)	(37,146)	(32,490)	-	(506,972)
Total nonoperating revenues (expenses)	<u>(425,598)</u>	<u>(57,834)</u>	<u>(37,146)</u>	<u>134,115</u>	<u>-</u>	<u>(386,463)</u>
Income (loss) before transfers and capital contributions	(266,181)	(1,635)	(78,913)	(19,285)	6,350	(359,664)
Capital contributions	-	-	-	-	-	-
Transfers in	117,024	-	26,173	-	-	143,197
Transfers out	-	(33,250)	-	-	(6,350)	(39,600)
Change in net assets	(149,157)	(34,885)	(52,740)	(19,285)	-	(256,067)
Net position (deficit), beginning of year	<u>2,658,868</u>	<u>(163,246)</u>	<u>300,446</u>	<u>2,367,725</u>	<u>-</u>	<u>5,163,793</u>
Prior Period Adjustment (1)	(1,688,898)	(5,940)	1,457	839	-	(1,692,542)
Net position (deficit), end of year	<u>\$ 820,813</u>	<u>\$ (204,071)</u>	<u>\$ 249,163</u>	<u>\$ 2,349,279</u>	<u>\$ -</u>	<u>\$ 3,215,184</u>

(1) 7/1/12 beginning balance differs from FY12 Annual Financial Report 6/30/12 ending balance, as the result of properly recording actual principal paid.

* additional costs for finalizing tenant improvements (\$15,000 reimbursed)

The accompanying notes are an integral part of the financial statements.

LANE COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Park Place Building	Springfield Building	Schaefer's Building	Loan Programs	Minutes Recording	Total
Cash received from customers	\$ 1,029,764	\$ 253,634	\$ 206,071	\$ 297,528	\$ 73,531	\$1,860,528
Cash paid to suppliers	(389,055)	(147,042)	(144,271)	(104,099)	(49,130)	(833,597)
Cash paid to employees	(26,003)	-	(29,326)	(334,549)	(17,410)	(407,288)
Net cash provided (used) by operating activities	614,706	106,592	32,474	(141,120)	6,991	619,643
Loans received from USDA	-	-	-	-	-	-
Principal paid to USDA	-	-	-	(175,421)	-	(175,421)
Changes in loans receivable and accrued interest	-	-	-	110,975	-	110,975
Changes in due to/ due from other funds	-	-	-	-	-	-
Prior period Adjustment	(1,739,005)	(5,940)	1,457	839	-	-
Transfers in/out	117,024	(33,250)	26,173	-	(6,350)	103,597
Net cash provided (used) by non-capital financing activities	(1,621,981)	(39,190)	27,630	(63,607)	(6,350)	39,151
Purchases of capital assets	(51,809)	-	-	-	-	(51,809)
Loan proceeds	-	-	-	-	-	-
Cash paid for financing costs	37,006	12,910	11,082	-	-	60,998
Principal paid on bank loans	1,414,558	(21,990)	(35,312)	-	-	1,357,256
Interest paid on bank loans	(425,598)	(57,834)	(37,146)	(32,490)	-	(553,068)
Change in deposits	12,609	-	-	-	-	12,609
Change in accrued interest	-	-	-	-	-	-
Net cash used by capital and related financing activities	986,766	(66,914)	(61,376)	(32,490)	-	825,986
Purchase of investments	-	-	-	-	-	-
Proceeds from investments	-	-	-	-	-	-
Earnings on investments	-	-	-	166,605	-	166,605
Net cash provided (used) by investing activities	-	-	-	166,605	-	166,605
Net increase (decrease) in cash and cash equivalents	(20,509)	488	(1,272)	(70,612)	641	1,651,385
Cash and cash equivalents, beginning of year	(452,275)	-	1,517	2,572,682	(14,333)	2,107,591
Cash and cash equivalents, end of year	\$ (472,784)	\$ 488	\$ 245	\$ 2,502,070	\$ (13,692)	\$3,758,976
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ 159,417	\$ 56,199	\$ (41,767)	\$ (153,400)	\$ 6,350	\$ 26,799
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	379,105	41,147	74,673	-	-	494,925
(Increase) decrease in:						
Accounts receivable	42,395	-	-	9,724	1,714	53,833
Prepaid expense	9,090	8,758	841	-	-	18,689
Increase (decrease) in:						
Deferred revenue	50,106	-	-	-	-	50,106
Accounts payable	(25,322)	-	-	5,203	(26)	(20,145)
Accrued payroll and related liabilities	(85)	488	(1,273)	(2,647)	(1,047)	(4,564)
Net cash provided (used) by operating activities	\$ 614,706	\$ 106,592	\$ 32,474	\$ (141,120)	\$ 6,991	\$ 619,643

The accompanying notes are an integral part of the financial statements.

FIDUCIARY FUNDS

- Statement of Fiduciary Net Position – Fiduciary Funds

**LANE COUNCIL OF GOVERNMENTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013**

	Agency Funds
ASSETS	
Cash and investments	\$ 488,485
Accounts receivable	-
	<hr/>
Total assets	<u><u>\$ 488,485</u></u>
 LIABILITIES	
Accounts payable	\$ -
Due to other agencies	488,485
	<hr/>
Total liabilities	<u><u>\$ 488,485</u></u>

Agency is the 9-1-1 Public Safety Answering Point (PSAP).

The accompanying notes are an integral part of the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

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 Lane Council of Governments (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 fees and 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.

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, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all 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, 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, Continued

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 interest earned on temporary investments.
- Telecommunications – Accounts for the revenues and expenditures related to the operation of a multi-agency telephone system.
- Grants and Contracts – This fund accounts for programs or activities funded by federal, state, or local grants or contracts.

LCOG has the following major proprietary (enterprise) funds:

- Springfield Building—Financial activity of the LCOG-owned building is recorded in this fund. Income from leases for office space is the major source of revenue.
- Schaefers Building—Financial activity of the LCOG-owned building is recorded in this fund. Income from rents is the major source of revenue. The LCOG Senior and Disabled Services Division (S&DS) occupies approximately 65% of the building. The other 35% of the building is vacant and not yet leased to a private sector business as of 6/30/13 (loss of rental income as a result).
- Park Place Building—Financial activity of the LCOG-owned building is recorded in this fund. Income from rents is the major source of revenue. LCOG Government Services and Administration occupy approximately 37% of the building, and S&DS occupies about 4%. The remaining space is rented and/or available to rent.
- Loan Programs—LCOG administers four revolving loan funds – Rural Business Development Fund (RBDF); Economic Development Administration (EDA); Rural Business Enterprise Grant (RBEG); and LCOG Revolving Loan Fund Program Grant (RIB). Funding for the RBDF and RBEG was provided by the U.S. Department of Agriculture. Funding for the EDA was provided by the U.S. Department of Commerce. Funding for the RIB was provided by Oregon Cascades West Community and Economic Development. Note that RBDF and EDA loans are considered Federal Awards.

Loan funds finance business facilities and community development projects in rural Lane County. Also, in an effort to offer Lane County businesses a comprehensive source of loan programs, LCOG has contracted with Cascades West Financial Services to provide loan packaging services for all of Cascades West Financial Services' (CWFS) programs in Lane County. Activities of this contract are reported in Loan-Other Packaging fund and Loan -SBA504 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. Net residual is transferred to the General Fund at year end.

Additionally, LCOG reports the following fund type:

- Fiduciary funds – Agency funds account for assets held by LCOG in a trustee capacity or as an agent on behalf of other governments. The Emergency Telephone System (911) accounts for the receipts, disbursements, and cash balances of Lane County's four public safety answering points (PSAP). Cascades West Financial Services Inc. ended its contract with LCOG on 7/31/13 and the fund is no longer active.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. LCOG has elected to follow subsequent private-sector guidelines.

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 functions concerned.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, Continued

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.

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.

Lane Council of Governments' investment in the LGIP is carried at amounts which approximate fair value. The State of Oregon's investment policies used in administering the LGIP are 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 State Treasury. The State Treasury's investments in short-term securities are limited by the portfolio rules established by the Oregon Short-Term Fund 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 LGIP's securities in the State of Oregon's name.

For financial statement purposes, LCOG considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., 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." For additional detail see Footnote 9.

Accounts Receivable

Cash received from grantor agencies in excess of related grant expenditures is recorded as unearned revenue in the government-wide financial statements and deferred revenue in the fund financial statements. LCOG management believes that any uncollectible amounts included in accounts and grants receivable is immaterial, therefore no provision for uncollectible accounts has been made.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, Continued

Loans Receivable 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.

Prepaid Items

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 June 30, are recorded as an asset in the government-wide and fund financial statements.

Restricted Assets

LCOG classifies the following cash and investments as restricted:

- In the Communications/Technology Fund, various local government agencies limit the use of the funds, primarily for the replacement of telephone systems.
- In the Loan Programs Fund, amounts are restricted by the USDA and EDA for loans and loans servicing.

Capital Assets

Capital assets, which include land, buildings, leasehold improvements, vehicles, and 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 historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets 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
Other equipment	5-10 years

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, Continued

Liability for Compensated Absences

Earned but unpaid vacation benefits are recorded as a current liability based on the funding level of 50% of the liability valuation. Employee vacation accrual is limited to 320 hours; however payout liability was based on a maximum of 200 hours for employees terminating service.

Sick leave and holiday expense is only recorded as expenditure when leave is taken.

Retirement Plan

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

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.

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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by LCOG or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Fund Equity

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – non-spendable, restricted, committed, assigned, and unassigned.

- Non-spendable fund balance represents amounts that are not in a spendable form. The non-spendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, Continued

Fund Equity, continued:

- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

Indirect Costs

Expenditures and expenses for functional activities include indirect costs that are allocated under a central service cost allocation plan prepared in accordance with Office of Management and Budget Circular A-87. The basis of the allocation is direct personal services (salary and fringe) dollars.

2. Budget and Appropriations:

Budgets are adopted for all funds (except agency funds) on the modified accrual basis of accounting. Major differences between the budgetary basis and the accrual basis are:

- Interest is not recorded as 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 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. Appropriations lapse at the end of each year. The budget as originally adopted may be amended by official resolution of the Board. There was one such amendment authorized.

Encumbrances

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

NOTES TO THE FINANCIAL STATEMENTS

3. Reporting Entity:

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 was first organized in 1945 under the name Central Lane County Planning Commission with only six members. It was reorganized in 1971 under an intergovernmental agreement pursuant to Oregon Revised Statutes 190.003 to 190.030 and the name was changed to Lane Council of Governments (LCOG). It 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 29 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 agreement.

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 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.

LCOG is not a component unit of any other organization and no other organization is a component unit of LCOG.

4. Cash and Investments:

Cash and investments at June 30, 2013 consisted of the following (includes Fiduciary Funds):

Petty cash	\$	200
Cash with Fiscal Agent		114,923
Certificates of Deposit		470,658
Local Government Investment Pool		566,613
Demand Deposits		1,701,285
Money Market Accounts		<u>3,050,307</u>
Total Cash and Investments:	\$	5,903,987

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

Governmental Activities	\$	2,494,625
Business-type Activities	\$	<u>2,920,877</u>
Governmental and Proprietary	\$	5,415,502
Fiduciary	\$	<u>488,485</u>
Total Cash and Investments	\$	5,903,987

NOTES TO THE FINANCIAL STATEMENTS

4. Cash and Investments, Continued

Deposits

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. 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.

During the year ended June 30, 2013, LCOG's uninsured deposits were all at financial institutions that were participating in the pool, therefore LCOG was in compliance with the collateral requirements of Oregon law. At June 30, total deposits per banks statements were \$5,903,987. Of this, \$2,983,110 was insured and the remaining \$2,920,877 was collateralized.

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.

LCOG's only investments at June 30, 2013, 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 Oregon Short-term Fund 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.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk that its 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, and U.S. government agency obligations. 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 than an issuer or other counterparty to an investment will not fulfill its obligation. The Local Government Investment Pool is not rated for credit risk.

Custodial Credit Risk. Custodial credit risk 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.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss due to a large portion of investments with a single issuer. At June 30, 2013, LCOG's only investments were in the Local Government Investment Pool.

NOTES TO THE FINANCIAL STATEMENTS

5. Accounts Receivable:

	Grants and Contracts	Other Activity	Total
Governmental Funds:			
General Fund	\$ -	\$ 17,418	\$ 17,418
Grants and Contracts	\$ 1,831,276	\$ -	\$ 1,831,276
Other non-major funds	\$ -	\$ -	\$ -
Total governmental funds:	\$ 1,831,276	\$ 17,418	\$ 1,848,694
Proprietary Funds:			
Springfield Building	\$ -	\$ -	\$ -
Park Place Building	\$ -	\$ -	\$ -
Schaefers Building	\$ -	\$ -	\$ -
Minutes Recorder	\$ -	\$ 16,707	\$ 16,707
Loan Programs	\$ -	\$ 14,225	\$ 14,225
Total proprietary funds:	\$ -	\$ 30,932	\$ 30,932
Total	<u>\$ 1,831,276</u>	<u>\$ 48,350</u>	<u>\$ 1,879,626</u>

6. Capital Assets:

Depreciation:

Governmental:

Board/Executive	\$ 19,939
Government Services	\$ 20,329
Senior and Disabled Services	\$ 20,394
Total	\$ 60,663

Business Type:

Schaefers Building	\$ 75,233
Springfield Building	\$ 39,638
Park Place Building	\$ 380,054
Loan Programs	\$ -
Total	\$ 494,925

Net Capital Assets, All
above figures are rounded

\$ 555,588

NOTES TO THE FINANCIAL STATEMENTS

6. Capital Assets, Continued

List of LCOG's Book Assets for the year ending June 30, 2013 is as follows:

Governmental Activities:

Fixed Assets

Leasehold Improvements	172,396	-	-	172,396
Vehicles	103,178	-	-	103,178
Furniture & Equipment	682,446	22,601	-	705,047
Total	958,020	22,601	-	980,620

Accumulated Depreciation

Leasehold Improvements	111,502	15,848	-	127,350
Vehicles	45,321	14,740	-	60,061
Furniture & Equipment	312,913	30,345	-	343,258
Total	469,736	60,933	-	530,669

Net Capital Assets - Governmental	488,284			449,951
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Business Type Activities

Fixed Assets

Land & Land Improvements	735,830	-	-	735,830
Buildings	8,266,516	-	-	8,266,516
Improvements	5,531,874	51,809	-	5,583,683
Total	14,534,220	51,809	-	14,586,029

Accumulated Depreciation

Buildings	1,678,494	211,619	-	1,890,113
Improvements	2,491,866	283,305	-	2,775,171
Total	4,170,360	494,925	-	4,665,285

Net Capital Assets - Business-type	10,363,860			9,920,744
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Net Capital Assets, All	10,852,145			10,370,695
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The assets in the business-type activities are all being leased. These assets and their lease terms are further described in Note 13.

7. Loan Programs:

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.

At June 30, LCOG's loans receivable for the Loans Program consisted of 46 loans, none exceeding \$200,000, interest ranging from 3% to 7%, principal and interest due monthly for periods up to 20 years, secured by real property, machinery, and equipment.

Total all loans outstanding (all programs)	\$3,162,446
Allowance for loan losses (all programs)	<u>(250,000)</u>
Loans receivable, net of allowance for loan losses (all programs)	2,915,446
Amounts due within one year (all programs)	<u>(443,680)</u>
Loans receivable, noncurrent (all programs)	<u>\$2,471,766</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Loan Programs, Continued

Included in the above loans receivable are USDA loans which are pledged as collateral. The collateralized loans have a carrying value of \$2,146,974.

Following is a summary of the activity in the allowance for loan losses account:

Balance, beginning of year	\$ 210,400
Net change in estimate	39,600
Write-offs of uncollectible loans	-
Recovery of amounts previously charged off	-
Balance, end of the year	<u>\$ 250,000</u>

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.

8. Long-term Debt:

Long-term Debt consists of debt categorized by activity: Governmental activity is debt that is the financial obligation of the General Fund; Business activity is debt that is the financial obligation of the Enterprise Funds.

Long-term debt - Actual Principal and Interest paid during the fiscal year ending June 30, 2013

The principal and interest for Building Loans – both Government and Business type activity – had been reported in prior Notes to the Financial Statements based on the amount *projected* to be paid. In this annual report we have corrected the footnote information to report actual principal and actual interest paid during the fiscal year ending June 30, 2013. The projected Long Term Debt Schedule therefore in this document does not reflect actual principal and interest payments but instead projected payments. What follows in this footnote then in corrected actual remaining principal balance remaining at June 30, 2013. The Long Term Debt Schedule also reflects this same principal balance.

Long-term Debt - Governmental Activities

Principal

\$1,350,497 (54.02% of \$2,500,000 Umpqua Bank loan). This represents amounts borrowed against the Springfield Building which was used as working capital; monthly payments of \$8,397 through June 2016, including interest at 5.50%; monthly payments through October 2017 to be re-amortized; final principal and interest payment of \$1,064,402 due November 2017; secured by real property, building fixtures, and the pledge of future income from tenant rents; subject to a covenant to maintain a current ratio of at least 1.25 or a ratio of 1.2 of cash flow to debt service during each 12 month period ending June 30.

Total long-term debt for governmental activities	\$ 1,193,053
Amounts due within one year	\$ (35,115)
Long-term debt, net of current maturities - governmental activities (principal only)	<u>\$ 1,157,938</u>

NOTES TO THE FINANCIAL STATEMENTS

8. Long-term Debt, Continued

	<u>Principal</u>
<u>Long-term Debt - Business Activities</u>	
\$1,149,503 (45.98% of \$2,500,000 Umpqua Bank loan). This represents the portion of the loan proceeds required to pay off the 2002 Wells Fargo Bank loan to purchase the Springfield Building; monthly payments of \$7,147 through June 2016, including interest at 5.50%; monthly payments through October 2017 to be re-amortized; final principal and interest payment of \$905,987 due November 2017; secured by real property, building fixtures, and the pledge of future income from tenant rents; subject to a covenant to maintain a current ratio of at least 1.25 or a ratio of 1.2 of cash flow to debt service during each 12 month period ending June 30.	\$ 1,015,491
\$3,000,000 (100% of \$3,000,000 Umpqua Bank loan). This represents the portion of the loan proceeds required to pay off the 1993 revenue bonds used to purchase the Schaefer's Building (\$1,111,781) and loan proceeds used to remodel Park Place Building (\$1,888,219); monthly payments of \$15,967 through January 2017, including interest at 3.81%; final principal and interest payment of \$2,306,318 due February 2017; secured by real property, building fixtures, and the pledge of future income from tenant rents; subject to a covenant to maintain a current ratio of at least 1.25 or a ratio of 1.2 of cash flow to debt service during each 12 month period ending June 30.	\$ 2,544,757
\$5,500,000 Umpqua Bank loan; \$4,750,000 dated January 3, 2009 and increased by \$750,000 on April 6, 2009; to purchase the Park Place Building and pay for LCOG office improvements; monthly payments of \$34,194 through March 2019 to be re-amortized; final payment of \$4,504,645 due April 2019; secured by real property, building fixtures, and the pledge of future income from tenant rents; subject to a covenant to maintain a current ratio of at least 1.25 or a ratio of 1.2 of cash flow to debt service during each 12 month period ending June 30.	\$ 5,047,699
\$550,000 Wells Fargo Bank loan dated June 9, 2009; to fund LCOG office improvements in the Park Place Building. Biannual payments of \$35,203 through February 2019, including interest at 5.35%, secured by real property and City of Eugene guarantee; cash reserve in escrow with U.S. Bank of \$70,416 (current market value at June 30, 2013).	\$ 357,300
\$219,963 Umpqua Bank loan dated May 20, 2010; to pay for tenant improvements; monthly payments of \$4,377 through April 2015, including interest at 7.00%; final principal and interest payment of approximately \$46,369 due May 2015; secured by real property, building fixtures, and the pledge of future income from tenant rents; subject to a covenant to maintain a current ratio of at least 1.25 or a ratio of 1.2 of cash flow to debt service during each 12 month period ending June 30.	\$ 92,399
\$2,000,000 USDA loan; dated October 25, 1995; annual principal and interest payments of \$84,900 through October 2025; interest rate of 1.00%; secured by portfolio of investments derived from the proceeds of the loan.	\$ 1,028,762
\$1,000,000 USDA loan; dated May 21, 1998; annual principal and interest payments of \$42,450 through May 2027 with \$41,840 due May 2028; 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.	\$ 587,984

NOTES TO THE FINANCIAL STATEMENTS

8. Long-term Debt, Continued

Business-type Activities, Continued:	<u>Principal</u>
\$478,000 USDA loan; dated October 11, 2000; annual principal and interest payments of \$20,300 through October 2029 and \$19,840 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.	\$ 332,495
\$400,000 USDA loan; dated July 30, 2001; annual principal and interest payments of \$16,980 through 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.	\$ 292,288
\$500,000 USDA loan; dated August 22, 2002; annual principal and interest payments of \$21,221 through 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.	\$ 382,775
\$500,000 USDA loan; dated June 29, 2006; annual principal and interest payments of \$21,223 through June 2036; 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.	<u>\$ 433,845</u>
Total long-term debt for business activities	\$ 12,115,795
Amounts due within one year	<u>\$ (533,033)</u>
Long-term debt, net of current maturities - business activities (principal only)	<u>\$ 11,582,762</u>

SUMMARY ALL LONG-TERM DEBT:

TOTAL LONG-TERM DEBT - GOVERNMENTAL ACTIVITIES	\$ 1,193,053
TOTAL LONG-TERM DEBT - BUSINESS ACTIVITIES	<u>\$ 12,115,795</u>
TOTAL LONG-TERM DEBT - ALL ACTIVITIES	\$ 13,308,848
AMOUNTS DUE WITHIN ONE YEAR – ALL ACTIVITIES	<u>\$ (568,148)</u>
LONG-TERM DEBT, NET OF CURRENT MATURITIES - ALL ACTIVITIES	<u><u>\$ 12,740,700</u></u>

NOTES TO THE FINANCIAL STATEMENTS

8. Long-term Debt, Continued

Below is detail transaction information regarding long-term debt payments, any new borrowings, the ending balances after those transactions and the amounts due within one year.

As noted, total principal paid in the year ending June 30, 2013 was \$32,813 principal and \$67,947 interest for Governmental Activities; and \$510,706 principal and \$506,972 interest for Business Activities.

Long-term Debt Transactions – Governmental Activities

In prior years, the Umpqua Bank loan (Schaefer's Building) had been improperly categorized as a Governmental activity. Proceeds from the loan were provided for Park Place Building improvements and as such, is a Business-type activity. Governmental activities have been corrected; debt is reported under Business-type activity.

Principal Paid	Beginning Balance*	Additions/ Additional Borrowings	Reductions /Repaid	Ending Balance	Due Within One Year
Umpqua Bank loan (General Fund – Springfield Building)	<u>\$ 1,233,252</u>	<u>\$ -</u>	<u>\$ (32,813)</u>	<u>\$ 1,200,439</u>	<u>\$ 35,115</u>
Total Principal Paid	\$ 1,233,252	\$ -	\$ (32,813)	\$ 1,200,439	\$ 35,115

Interest Paid	Outstanding Beginning	Matured	Paid	Outstanding Ending
Umpqua Bank loan (General Fund - Springfield Building)	<u>\$ -</u>	<u>\$ 67,947</u>	<u>\$ (67,947)</u>	<u>\$ -</u>
Total Interest Paid	\$ -	\$ 67,947	\$ (67,947)	\$ -

*Beginning balance differs from FY12 Annual Financial Report ending balance as a result of presenting correct actual principal paid per loaning institution's principal paid balance and LCOG financial records.

NOTES TO THE FINANCIAL STATEMENTS

8. Long-term Debt, Continued

Long-term Debt Transactions – Business Type Activities:

Principal Paid	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Building Loans:					
Park Place FPD					
Umpqua Bank	\$ 137,110	\$ -	\$ 44,206	\$ 92,904	\$ 47,563
Park Place					
Umpqua Bank	5,202,091	-	123,335	\$ 5,078,756	132,176
Park Place					
Wells Fargo Bank	406,602	-	49,302	\$ 357,300	51,975
Park Place-Schaefer's					
Umpqua Bank	1,659,174	-	57,497	\$ 1,601,677	59,762
Schaefer's					
Umpqua Bank	976,946	-	33,855	\$ 943,091	35,188
Springfield					
Umpqua Bank	<u>1,049,702</u>	<u>-</u>	<u>27,930</u>	<u>\$ 1,021,772</u>	<u>29,889</u>
Subtotal – Buildings	\$ 9,431,625	\$ -	\$ 336,125	\$ 9,095,500	\$ 356,553
Business Loans:					
\$2,000,000					
USDA (#61-01)	\$ 1,102,633	\$ -	\$ 73,783	\$ 1,028,850	\$ 74,610
\$1,000,000					
USDA (#61-02)	624,188	-	36,174	\$ 588,014	36,566
\$ 478,000					
USDA (#61-03)	349,302	-	16,818	\$ 332,484	16,975
\$ 400,000					
USDA (#61-04)	306,204	-	13,951	\$ 292,253	14,056
\$ 500,000					
USDA (#61-05)	399,993	-	17,247	\$ 382,746	17,391
\$ 500,000					
USDA (#61-06)	<u>450,560</u>	<u>-</u>	<u>16,608</u>	<u>\$ 433,952</u>	<u>16,882</u>
Subtotal – Business loans	\$ 3,232,880	\$ -	\$ 174,581	\$ 3,058,299	\$ 176,480
<u>TOTAL ALL LONG-TERM DEBT</u>	<u>\$ 12,664,505</u>	<u>\$ -</u>	<u>\$ 510,706</u>	<u>\$ 12,153,799</u>	<u>\$ 533,033</u>

*7/1/12 beginning balance differs from FY12 Annual Financial Report 6/30/12 ending balance. This is the result of properly recording actual principal paid.

NOTES TO THE FINANCIAL STATEMENTS

8. Long-term Debt, Continued

Interest Paid – Business Activities	Outstandin g Beginning	Matured	Paid	Outstanding Ending
Park Place - FPD Umpqua Bank	\$ -	\$ 12,103	\$ (12,103)	\$ -
Park Place - Umpqua Bank	-	286,993	(286,993)	-
Park Place - Wells Fargo Bank	-	21,103	(21,103)	-
Park Place - Schaefers Umpqua Bank	-	59,303	(59,303)	-
Schaefers - Umpqua Bank	-	37,146	(37,146)	-
Springfield - Umpqua Bank	-	57,834	(57,834)	-
\$2,000,000 USDA loan (#61-01)	-	11,117	(11,117)	-
\$1,000,000 USDA loan (#61-02)	-	6,276	(6,276)	-
\$478,000 USDA loan (#61-03)	-	3,474	(3,474)	-
\$400,000 USDA loan (#61-04)	-	3,028	(3,028)	-
\$500,000 USDA loan (#61-05)	-	3,978	(3,978)	-
\$500,000 USDA loan (#61-06)	-	4,617	(4,617)	-
Interest Paid – FY13	\$ -	\$ 506,972	\$ (506,972)	\$ -

Summary of Principal and Interest Paid – All Activities

Total principal paid for the year was \$543,519. This consisted of \$32,813 reported in the governmental activities (general) fund and \$510,706 reported as a direct expense in the business activities (enterprise) funds.

Total interest expense for the year was \$574,919. This consisted of \$67,947 reported in the governmental activities (general) fund and \$506,972 reported in the business activities (enterprise) funds. No interest was capitalized for the year.

Annual Projected Debt Service Requirements to Maturity – Governmental Activities

Projected Amounts for the Fiscal year ending:	Principal	Interest
2014	\$ 35,115	\$ 65,645
2015	37,124	63,636
2016	39,078	61,682
2017	41,483	59,277
2018	<u>1,040,253</u>	<u>24,149</u>
	<u>\$1,193,053</u>	<u>\$274,389</u>

* Debt is on the Springfield Building and is owed by LCOG Board subfund.

NOTES TO THE FINANCIAL STATEMENTS

8. Long-term Debt, Continued

Annual Debt Service Requirements to Maturity – Business-type Activities

Projected Amounts for the Fiscal year ending:	<u>Principal</u>	<u>Interest</u>
2014	\$ 533,033	\$ 484,652
2015	547,893	463,637
2016	520,377	444,779
2017	2,682,978	396,911
2018 – 2022	6,426,712	250,835
2023 – 2027	898,086	50,826
2028 – 2032	403,337	16,142
2033 – 2036	<u>103,379</u>	<u>2,291</u>
	<u>\$12,115,795</u>	<u>\$2,429,667</u>

Summary of Outstanding Principal by Type of Loan

Below is a summary of the total principal outstanding as of 6/30/13:

\$ 1,193,053 Government-type activities: Building Loan

\$ 9,057,646 Business-type activities: Building Loans

\$ 3,058,149 Business-type activities: Business Loans

\$ 12,115,795

\$ 13,308,848 Total Long Term Debt – All Activities at 6/30/13

Building Loans is debt on the Park Place Building, Schaefer's Building and Springfield Building and is owed by the specific Building fund for the business activities share of loans and General Fund for the government type share of loan.

Business Loans is debt on the USDA Loans owed by the Enterprise Funds – Loan Program - Intermediary Loan Program Relending fund.

9. Pension Plan:

Plan Description and Administration

All full-time LCOG employees participate in the Oregon Public Employees Retirement System (OPERS). Effective January 1, 2002, LCOG elected to participate in the State and Local Government Rate Pool, a statewide multiple-employer pension plan within OPERS, of which LCOG is a cost-sharing component.

OPERS is established under Oregon Revised Statutes 238 and acts as a common investment and administrative agent for public employers in Oregon. OPERS is a component unit of the State of Oregon and issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

NOTES TO THE FINANCIAL STATEMENTS

9. Pension Plan, Continued

Plan Benefits

All LCOG full-time employees become members of OPERS after six months of service. Benefits vest after five continuous years of service or at age 50. Generally, employees who retire at or after a stipulated age or number of years of credited service are entitled to a retirement benefit, payable either as a lump sum or monthly for life. Vested employees with fewer than the stipulated number of years of service receive reduced benefits if retirement

occurs prior to the stipulated age. OPERS also provides death and disability benefits. Benefit provisions and all other requirements are established by the Oregon Legislature and are administered by a board of trustees (Retirement Board) appointed by the Governor.

Public Employee Retirement System (PERS)

PERS is a defined benefit plan provided to members or their beneficiaries who were hired prior to August 29, 2003. In 1995 the Oregon legislature enacted a second level ("Tier Two") of PERS benefits for persons who became members after January 1, 1996. Tier One members have an assumed earnings rate guarantee, while Tier Two members have a later retirement age and do not have an assumed earnings rate guarantee.

Oregon Public Service Retirement Plan (OPSRP)

OPSRP is a combination defined benefit pension plan and defined contribution pension plan. The defined benefit pension plan is available to members or their beneficiaries who were hired on or after August 29, 2003. The defined contribution pension plan (Individual Account Program or "IAP") is available to all members or their beneficiaries who are PERS or OPSRP eligible.

Funding Policy

Covered employees are required by state statute to contribute 6% of their salary to the IAP. Members of PERS retain their existing PERS accounts, but member contributions are now deposited in the member's IAP rather than into the member's PERS account. As a result of collective bargaining agreements, most employee contributions are paid by LCOG.

LCOG contributed \$524,245.16 on behalf of employees to satisfy this requirement. LCOG is required by Oregon statute to contribute the remaining amounts necessary to pay benefits when due. Funding policy is set by the Retirement Board, which has statutory authority to revise employer contributions as necessary to ensure that promised benefits will be funded on a sound basis.

Generally Accepted Accounting Principles

GASB Statement No. 27, *Accounting for Pension Plans by State and Local Government Employers*, establishes standards for the measurement, recognition, and presentation of pension information. Local governments which provide pension plans must measure and disclose an amount for Annual Pension Cost (APC) on the accrual basis of accounting, regardless of the amount actually recognized as an expenditure/expense on the modified accrual or accrual basis. The APC equals the Annual Required Contribution (ARC) adjusted by the amortization of the employer's Net Pension Obligation (NPO), a measure of the cumulative difference between the APC and an employer's actual contributions to OPERS. Because LCOG is required by law to submit the contributions adopted by the Retirement Board and the contributions are calculated in conformance with the standards of GASB Statement No. 27, the contributions actually made by LCOG were equal to the APC and LCOG's NPO is therefore zero.

NOTES TO THE FINANCIAL STATEMENTS

9. Pension Plan, Continued

Employer Contributions

LCOG contributions to OPERS for the current and preceding two years were as follows:

Year Ended June 30	Percent of Covered Payroll		Annual Pension Cost (APC)*		<u>Percent Contributed</u>
	PERS	OPSRP			
2011	7.98%	9.03%	\$ 793,248	*	100%
2012	12.52%	11.24%	\$ 774,729	*	100%
2013	12.52%	11.24%	\$ 774,729	*	100%

The expected employer contribution to OPERS for the 2013-2014 year is estimated to increase by 4.5%.

*The required OPERS contributions for the current year were based on an actuarial valuation as of December 31, 2011. The actuarial assumptions used in OPERS valuations are based on past experience and on current expectations as to future economic conditions. The assumptions are intended to estimate the future experience of the members of OPERS, anticipated earnings on investments, and projected member benefits. Variations in future experience will result in corresponding changes in required contributions.

10. Other Post-Employment Benefits:

As required by state law, LCOG offers retired employees continuance of their health insurance coverage by retirees paying 100% of the premium. Because the cost paid by retirees is the same rate for all LCOG employees, and retirees might have to pay a higher rate if they were to purchase this coverage outside of the LCOG plan, LCOG is considered to be providing an implicit rate subsidy to these previous employees. At June 30, 2012, seven retired employees were availing themselves of this benefit and 183 active employees are potentially eligible for the benefit. Management believes the implicit rate subsidy is immaterial to the financial statements, therefore no actuarial valuation has been obtained and no expenditure for this rate subsidy is reflected in the government-wide financial statements.

11. Interfund Transfers:

Funds are transferred from one fund to support expenditures of other funds in accordance with the authority established for the individual fund. For the year ending 6/30/13 the Indirect subfund did not require support from the General Fund. Transfers during the year were as follows:

Transfers In	\$2,647,948	(revenue to the receiving fund)
Transfers Out	\$2,647,948	(expense to the providing fund)

Detail to Transfers by Fund Type is as follows:

	General	Special Revenue	Enterprise	Total for the
	Fund	Funds	Funds	Year Ending 6/30/13
Transfers In	\$ 273,177	\$ 2,231,575	\$ 143,196	\$ 2,647,948
Transfers Out	\$ 232,305	\$ 2,376,044	\$ 39,599	\$ 2,647,948

NOTES TO THE FINANCIAL STATEMENTS

11. Interfund Transfers, Continued

Below is a list of subfunds that received \$3,000 or more in *net* financial support. Support was required due to the subfund ending the year in a deficit. The amount is \$214,475 of the \$232,305 transferred out total for the year ending June 30, 2013.

Member Hours		\$	16,760
Park Place Building		\$	117,024
Schaefer's Building		\$	26,172
Government Services:			
Oregon Planning Institute		\$	38,558
Lane Information Center		\$	10,128
Natural Resource Planning		\$	5,833

LCOG has a subfund within the General Fund titled "Indirect." This subfund comprises the service area known as "Administrative Services." In that transfers within the General Fund are not considered "interfund transfers" they do not appear in Transfers financial information.

12. Operating Leases:

Public Service Building: LCOG leases 930 square feet of space for the MetroTV program from Lane County (office is located at Lane County PPB in Eugene) for \$850 per month or \$10,200 for the year ending June 30.

Central Kitchen: LCOG leases 4,172 square feet of space for the Meal Preparation program from Lulu Inc. (office is located at 1407 Cross Street, Eugene, OR). For the year ending June 30, 2013 the lease required monthly payments of \$2,420 for the period July 2012 through May 2013, with June 2013 at \$2,504 or \$29,124 for the year ending June 30.

Title XIX sites: LCOG Senior and Disabled Services leases a site from the State of Oregon, Department of Human Services (at 3180 Hwy 101, Florence, Oregon). The space is currently shared with Adult and Family Service. Cost is \$4,339 per month or \$52,068 for the year ending June 30. LCOG also leases a site in Cottage Grove, Oregon from Gary and Ruth Ackley. The lease requires a monthly payment of \$1,863.54 or \$22,362.48 for the year ending June 30. This lease expires April 30, 2018.

Senior nutrition and outreach sites: LCOG has various nutrition and outreach sites. The majority of the agreements for these sites call for monthly rental payments ranging from \$375 to \$417 per month. The remaining sites are donated to LCOG.

NOTES TO THE FINANCIAL STATEMENTS

12. Operating Leases, Continued

Total rental expense LCOG paid for the year ending June 30 was:

Public Service Building	\$ 10,200
Central Kitchen	29,124
Type B Funds	74,183
Senior Nutrition and Outreach	17,304
Park Place Building (see note #13)	508,572
Schaefer's Building (see note #13)	<u>0</u>
Total	\$ <u>639,383</u>

13. Park Place Building, Schaefer's Building, and Springfield Building:

Total income consists of rental revenue and occupancy revenue. Rental Income is revenue received from third parties. Occupancy revenue is revenue received from LCOG programs occupying space in LCOG owned buildings.

LCOG purchased the Park Place Building at 859 Willamette Street in Eugene, Oregon on January 3, 2008. Administration, Loan Programs, and Government Services (Planning and Transportation) is housed in Park Place Building. In addition, Senior & Disabled Services leases space on the first floor (2,032 square feet). At year ending June 30, 2013 there are twelve retail and office tenants with various lease terms and expiration dates, with lease amounts ranging from approximately \$1,670 to \$12,395 per month. The estimated rental income for 2013-2014 will be \$524,000 from third party tenants and \$466,000 from LCOG occupancy for a total of \$990,000.

LCOG owns the Schaefer's Building at 1025 Willamette Street in Eugene, Oregon. LCOG staff occupy the first and second floors of the building. Currently the third floor is vacant. Occupancy costs for LCOG's space totaled \$206,052 for the year and are included in total rent income in the proprietary funds.

LCOG owns the Springfield Building at 640-644 A Street in Springfield, Oregon. LCOG leases the entire building to the Oregon Department of Transportation. The monthly base rate of \$29,767.18 at June 30, 2013 increases by 2.5% per year through June 2017. Estimated rental income for 2013-2014 will be \$30,511.36 per month or \$366,136.32 for the year. Note that the rental income is shared between the Springfield Building subfund and the LCOG Board subfund.

Minimum rental payments on non-cancellable operating leases over the next five years or remaining non-cancellable lease terms in excess of one year are noted in the table below. (Excludes cancellable leases):

<u>June 30</u>	
2014	\$ 829,000
2015	783,000
2016	683,000
2017	635,000
2018	<u>148,000</u>
Total Estimated	<u>\$3,078,000</u>

NOTES TO THE FINANCIAL STATEMENTS

14. 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. Such audits could lead to reimbursement to the grantor agencies.

15. Risk Management:

LCOG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. These risks are covered by commercial insurance purchased 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 itself 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 covered limits. Also, there has been no reduction in coverage as compared to the prior year.

16. Prior Period Adjustment

As described in Note 8, Umpqua Bank loan (Schaefer's Building) had been improperly categorized as a Governmental activity. Governmental activities have been corrected; debt is reported under Business-type activity. This increases the beginning Government-wide Net Position by \$1,661,696, while decreasing the Beginning Net Position for Business-type funds by \$1,661,696. Also noted in note 8, Outstanding beginning balance differs from FY12 Annual Financial Report ending balance as a result of presenting correct actual principal paid per loaning institution's principal paid balance and LCOG financial records.

The net effect of the prior period adjustments for Governmental and Business-type activities is \$1,654,712 and \$(1,692,542), respectively.

Governmental:

Springfield - Umpqua Bank	\$ <u>(6,984)</u>
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Business-type:

Park Place - Umpqua Bank	(29,724)
Schaefer's - Umpqua Bank	3,979
Springfield - Umpqua Bank	(5,940)
\$2,000,000 USDA loan (#61-01)	514
\$1,000,000 USDA loan (#61-02)	112
\$478,000 USDA loan (#61-03)	74
\$400,000 USDA loan (#61-04)	3
\$500,000 USDA loan (#61-05)	37
\$500,000 USDA loan (#61-06)	99
Total Adjustments – Business-type	<u>\$ (30,846)</u>
Total Prior Period Adjustment	<u>\$ (37,830)</u>

NOTES TO THE FINANCIAL STATEMENTS

17. Deferred Compensation History:

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 at 6/30/13 is as follows:

Employer paid contribution:	\$2,051,518.45
Employee paid contribution:	\$3,047,745.33

REQUIRED SUPPLEMENTAL INFORMATION

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

- General Fund
- Telecommunications
- Grants and Contracts
- Enterprise Funds

LANE COUNCIL OF GOVERNMENTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Over (Under)
Revenues:				
Local revenues:				
Member agency dues	\$ 219,557	\$ 195,879	\$ 195,879	\$ -
Interest income	\$ -	\$ 610	\$ -	\$ (610)
Overhead carryforward	\$ 129,861	\$ 129,861	\$ 129,861	\$ -
Equipment reimbursement	\$ 9,805	\$ 9,805	\$ 6,256	\$ (3,549)
Prior Year Recovery	\$ -	\$ 6,650	\$ 3,500	\$ (3,150)
Rental Income	\$ -	\$ 100,761	\$ 100,760	\$ (1)
Other sources	\$ 32,100	\$ 388,061	\$ 70,594 (a)	\$ (317,467)
Miscellaneous Income	\$ 2,000	\$ 2,000	\$ 108	\$ (1,892)
Total local revenues	\$ 393,323	\$ 833,627	\$ 506,958	\$ (326,669)
Expenditures:				
General services:				
Personal services	\$ 44,880	\$ 124,433	\$ 167,350	\$ (42,917)
Support services	\$ 52,862	\$ 91,024	\$ (41,287) (b)	\$ 132,311
Materials and services	\$ 14,500	\$ 10,500	\$ 14,937	\$ (4,437)
Leave expense	\$ -	\$ -	\$ (110,406) (c)	\$ 110,406
Capital outlay	\$ 30,000	\$ 10,000	\$ -	\$ 10,000
Debt service	\$ 221,347	\$ 100,760	\$ 100,760	\$ (0)
Total expenditures	\$ 363,589	\$ 336,717	\$ 131,354	\$ 205,363
Revenues over (under) expenditures	\$ 29,734	\$ 496,910	\$ 375,604	\$ (121,306)
Other financing sources (uses):				
Transfers In	\$ 141,735	\$ 102,539	\$ 273,177	\$ 170,638
Transfers Out	\$ (58,681)	\$ (333,716)	\$ (232,305)	\$ 101,411
Total other financing sources (uses)	\$ 83,054	\$ (231,177)	\$ 40,872	\$ 272,049
Change in fund balance	\$ 112,788	\$ 265,733	\$ 416,476 (d)	\$ 150,743
Fund balance, beginning of year	\$ 8,202	\$ (311,571)	\$ (189,153) (e)	\$ 122,418
Fund balance, end of year at 6/30/13	\$ 120,990	\$ (45,838)	\$ 227,322 (f)	\$ 273,160

a): LCOG assessed indirect charges on budgeted salary and fringe. Actual costs (basis) was less than budgeted.

b): Changes are the result of full sharing of recovery across all funds

c): Reduction in the utilization of sick leave and vacation payout. One time adjustment.

d): A total of \$202,726 of the \$416,476 positive change is the result of a comprehensive review of prior financial practices and corrections, ensuring compliance to GAAP, and consistent application of financial processes to all services. Balance of \$213,750 of the \$416,476 is the result of staff concessions and eliminating non-essential services as part of LIFT recommendations.

e): General Fund began the year in a material deficit; changes were implemented (see d) reducing the deficit to \$189,153; however, LCOG ended the year with a positive fund balance of \$227,322.

See also Schedule of Revenues, Expenditures and Changes in Fund balance for additional information.

**LANE COUNCIL OF GOVERNMENTS
TELECOMMUNICATIONS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	Adopted Budget	Revised Budget	Actual	Variance Over (Under)
Revenues:				
Local sources	\$ 770,768	\$ 770,768	\$ 958,025	\$ 187,257
Total revenues	\$ 770,768	\$ 770,768	\$ 958,025	\$ 187,257
Expenditures:				
Technology services:				
Services by other organizations	\$ 1,295,200	\$ 1,133,130	\$ 1,038,591	\$ 94,539
Total expenditures	\$ 1,295,200	\$ 1,133,130	\$ 1,038,591	\$ 94,539
Revenues over (under) expenditures	\$ (524,432)	\$ (362,362)	\$ (80,566)	\$ 281,796
Other financing sources (uses):				
Transfers In	\$ 300,000	\$ 162,070	\$ 38,271	\$ (123,799)
Transfers Out	\$ (14,235)	\$ (241,840)	\$ (236,425)	\$ 5,415
Total other financing (uses)	\$ 285,765	\$ (79,770)	\$ (198,154)	\$ (118,384)
Change in fund balance	\$ (238,667)	\$ (442,132)	\$ (278,720)	\$ 163,412
Fund balance, beginning of year	\$ 2,020,625	\$ 1,861,226	\$ 1,861,227	\$ 0
Fund balance, end of year	\$ 1,781,958	\$ 1,419,094	\$ 1,582,507 (a)	\$ 163,413

(a) Fund balance includes a reserve set aside for telephone system maintenance and improvements. Telephone reserves are \$1,402,507 of the ending fund balance which includes \$57,435 for LCOG share.

**LANE COUNCIL OF GOVERNMENTS
GRANTS AND CONTRACTS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	Adopted Budget	Revised Budget	Actual	Variance
Revenues:				
Federal and state grants and contracts	\$ 18,830,902	\$ 18,736,667	\$ 17,378,504	\$ (1,358,163)
Local sources	\$ 4,080,707	\$ 4,410,029	\$ 3,853,349	\$ (556,679)
In-kind services	\$ 77,398	\$ 77,461	\$ 255,481	\$ 178,020
Total revenues	\$22,989,007	\$ 23,224,157	\$ 21,487,334	\$ (1,736,823)
Expenditures:				
Government services:				
Personal services	\$ 3,278,032	\$ 2,943,616	\$ 2,795,705	\$ 147,911
Support services	\$ 1,595,835	\$ 1,383,108	\$ 1,280,370	\$ 102,738
Materials and services	\$ 5,228,247	\$ 4,986,324	\$ 3,839,046	\$ 1,147,278
Services by other organizations	\$ -	\$ -	\$ -	\$ -
Capital outlay	\$ 143,000	\$ 143,000	\$ 8,475	\$ 134,525
	<u>\$10,245,114</u>	<u>\$ 9,456,048</u>	<u>\$ 7,923,595</u>	<u>\$ 1,532,453</u>
Senior and disabled services:				
Personal services	\$ 9,101,289	\$ 9,204,549	\$ 9,280,331	\$ (75,782)
Support services	\$ 1,870,149	\$ 1,929,554	\$ 1,969,281	\$ (39,727)
Materials and services	\$ 1,361,275	\$ 1,864,724	\$ 1,781,884	\$ 82,840
Services by other organizations	\$ 708,212	\$ 807,817	\$ 790,639	\$ 17,178
Capital outlay	\$ -	\$ -	\$ 13,854	\$ (13,854)
	<u>\$13,040,925</u>	<u>\$ 13,806,644</u>	<u>\$ 13,835,989</u>	<u>\$ (29,345)</u>
Total expenditures	\$23,286,039	\$ 23,262,692	\$ 21,759,584	\$ 1,503,108
Revenues over (under) expenditures	\$ (297,032)	\$ (38,535)	\$ (272,250)	\$ (233,715)
Other financing sources (uses):				
Transfers In	\$ 1,878,616	\$ 1,989,525	\$ 2,193,304	\$ 203,779
Transfers Out	\$ (1,839,620)	\$ (1,927,912)	\$ (2,139,619)	\$ (211,707)
Total other financing sources or uses	\$ 38,996	\$ 61,613	\$ 53,686	\$ (7,928)
Change in fund balance	\$ (258,036)	\$ 23,079	\$ (218,564)	\$ (241,643)
Fund balance, beginning of year	\$ 1,013,207	\$ 1,148,246	\$ 1,178,783	\$ 30,537
Fund balance, end of year	\$ 755,171	\$ 1,171,325	\$ 960,219	\$ (211,106)

This statement does not include Telecommunications. See separate financial statement for telecommunications.

LANE COUNCIL OF GOVERNMENTS
ENTERPRISE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance
Revenues:				
Local sources	\$ 2,686,452	\$ 2,449,206	\$ 2,876,062 (a)	\$ 426,856
Total revenues	\$ 2,686,452	\$ 2,449,206	\$ 2,876,062	\$ 426,856
Expenditures:				
Loan Program:				
Personal services	\$ 230,558	\$ 201,351	\$ 212,555	\$ (11,204)
Support services	\$ 132,346	\$ 115,580	\$ 121,995	\$ (6,415)
Materials and services	\$ 125,000	\$ 143,696	\$ 106,654	\$ 37,042
Loans made	\$ 500,000	\$ 500,000	\$ 790,000	\$ (290,000)
Capital outlay	\$ -	\$ -	\$ -	\$ -
Debt service	\$ 205,000	\$ 205,000	\$ 207,072	\$ (2,072)
sub-total: Loan Program	\$ 1,192,904	\$ 1,165,627	\$ 1,438,275	\$ (272,648)
Building Program:				
Personal services	\$ 40,298	\$ 39,119	\$ 38,047	\$ 1,072
Support services	\$ 23,132	\$ 22,456	\$ 23,752	\$ (1,296)
Materials and services	\$ 39,325	\$ 681,478	\$ 632,801	\$ 48,677
Capital outlay	\$ -	\$ 54,236	\$ 51,809	\$ 2,427
Debt service	\$ 732,507	\$ 853,352	\$ 810,609	
sub-total: Building Program	\$ 835,262	\$ 1,650,641	\$ 1,557,017	\$ 50,881
Minutes Recorder Program:				
Personal services	\$ 16,556	\$ 9,751	\$ 11,061	\$ (1,310)
Support services	\$ 9,504	\$ 5,597	\$ 6,349	\$ (752)
Materials and services	\$ 716,900	\$ 41,242	\$ 48,057	\$ (6,815)
Capital outlay	\$ -	\$ -	\$ -	\$ -
sub-total: Minutes Recorder	\$ 742,960	\$ 56,590	\$ 65,467	\$ (8,877)
Total expenditures	\$ 2,771,126	\$ 2,872,858	\$ 3,060,760	\$ (187,901)
Revenues over (under) expenditures	\$ (84,674)	\$ (423,652)	\$ (184,698)	\$ 238,955
Other financing sources (uses):				
Transfers In	\$ 33,921	\$ 270,398	\$ 143,196	\$ (127,202)
Transfers Out	\$ (141,735)	\$ (27,004)	\$ (39,599)	\$ (12,595)
Total other financing sources or uses	\$ (107,814)	\$ 243,394	\$ 103,597	\$ (139,797)
Change in fund balance	\$ (192,488)	\$ (180,258)	\$ (81,101)	\$ 99,157
Fund balance, beginning of year	\$ 2,108,404	\$ 2,661,806	\$ 2,591,357	\$ (70,449)
Fund balance, end of year	\$ 1,915,916	\$ 2,481,547	\$ 2,510,256 (b)	\$ 28,708

(a) Detail to the total revenue is: \$71,817 Minutes Recorder; \$1,357,174 Loans Program; \$1,447,071 Building Program.

(b) Actual fund balance is Loan Program reserves.

SUPPLEMENTARY SCHEDULES

Non-Major Governmental Fund Statements

Schedules of Resources and Requirements – Budget and Actual:

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

Non-Major Proprietary Fund Statements

Loan Program – USDA Intermediary Relending Program

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

Combining Statement of Changes in Assets and Liabilities – Agency Funds

NON - MAJOR GOVERNMENTAL FUND STATEMENTS

Schedules of Resources and Requirements – Budget and Actual:

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

**LANE COUNCIL OF GOVERNMENTS
ALL ORGANIZATIONAL UNITS
SCHEDULE OF RESOURCES AND
REQUIREMENTS BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	Adopted Budget	Revised Budget	Actual	Variance
Resources:				
Federal and state	\$ 18,830,902	\$ 18,736,667	\$ 17,378,504	\$ (1,358,163)
Local sources	\$ 7,711,693	\$ 8,267,751	\$ 7,998,515	\$ (269,236)
In-kind services	\$ 77,398	\$ 77,461	\$ 255,481	\$ 178,020
Member dues	\$ 219,557	\$ 195,879	\$ 195,879	\$ -
Transfers In	\$ 2,354,272	\$ 2,524,532	\$ 2,647,948	\$ 123,416
Beginning reserves	\$ 5,150,438	\$ 5,359,707	\$ 5,411,676	\$ 51,969
Total resources	\$ 34,344,260	\$ 35,161,997	\$ 33,888,003	\$ (1,273,994)
Requirements:				
Personal services**	\$ 14,876,644	\$ 14,416,433	\$ 14,428,282	\$ (11,850)
Materials and services**	\$ 9,004,044	\$ 9,381,669	\$ 7,860,604	\$ 1,521,065
Leave adjustment	\$ -	\$ -	\$ (110,406)	\$ 110,406
Capital outlay	\$ 173,000	\$ 207,236	\$ 74,138	\$ 133,098
Loans made	\$ 500,000	\$ 500,000	\$ 790,000	\$ (290,000)
Debt service	\$ 1,158,854	\$ 1,159,112	\$ 1,118,441	\$ 40,671
Services by other organizations	\$ 2,003,412	\$ 1,940,947	\$ 1,829,230	\$ 111,717
Transfers Out	\$ 2,054,271	\$ 2,530,472	\$ 2,647,948	\$ (117,476)
Total requirements	\$ 29,770,225	\$ 30,135,869	\$ 28,638,237	\$ 1,497,632
Ending reserves	\$ 4,574,035	\$ 5,026,128	\$ 5,249,766	\$ 223,638
Total Resources less Transfers In			\$ 31,240,055	
Total Requirements less Transfers Out			\$ 25,990,289	
			\$ 5,249,766	
Reserves by Fund:				
General Fund			\$ 227,322	
Special Revenue Funds			\$ 2,512,189	
Enterprise Funds			\$ 2,510,256	
Reserves as of 6/30/13			\$ 5,249,766	
Current Year Performance (excludes transfers & reserves):				
Current Year Revenues			\$ 25,828,379	
Current Year Expenditures			\$ 25,990,289	
Current Year Net Operating performance			\$ (161,910)	

** At the All Organization 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. For example, the total personal services here is the sum of the direct services and administrative services personal services.

LANE COUNCIL OF GOVERNMENTS
GENERAL FUND
SCHEDULE OF RESOURCES AND REQUIREMENTS
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance Over (Under)
Resources:				
Member dues	\$ 219,557	\$ 195,879	\$ 195,879	\$ -
Other local sources	\$ 173,766	\$ 536,987	\$ 210,319 (a)	\$ (326,668)
Rental Income	\$ -	\$ 100,761	\$ 100,760 (d)	\$ (1)
Transfers In - from Direct subfunds	\$ 141,735	\$ 102,539	\$ 273,177	\$ 170,638
Beginning reserves	\$ 8,202	\$ (311,571)	\$ (189,153) (g)	\$ 122,418
Total resources	\$ 543,260	\$ 624,595	\$ 590,981	\$ (33,614)
Requirements:				
Personal services	\$ 44,880	\$ 124,433	\$ 167,350	\$ (42,917)
Support services	\$ 52,862	\$ 91,024	\$ (41,287) (b)	\$ 132,311
Leave adjustment	\$ -	\$ -	\$ (110,406) (c)	\$ 110,406
Materials and services	\$ 14,500	\$ 10,500	\$ 14,937	\$ (4,437)
Capital outlay	\$ 30,000	\$ 10,000	\$ -	\$ 10,000
Debt service	\$ 221,347	\$ 100,760	\$ 100,760 (d)	\$ (0)
Transfers Out - to Indirect subfund	\$ -	\$ -	\$ - (e)	\$ -
Transfers Out - to Direct subfunds	\$ 58,681	\$ 333,716	\$ 232,305 (f)	\$ 101,411
Total requirements	\$ 422,270	\$ 670,433	\$ 363,659	\$ 306,774
Ending reserves	\$ 120,990	\$ (45,838)	\$ 227,322 (e)	\$ 273,160

(a) Park Place loan payment of \$42,744.38 was not actualized in July 2013. Two scheduled payments will be executed in August 2013 (expense to Park Place Building; revenue to General Fund).

(b) Fund share of indirect is recovered and applied to the noted line item, resulting in a credit balance.

(c) Is under utilization of leave balances. One time adjustment.

(d) Debt is P & I on Springfield Building equity loan (\$100,760); source of funds for loan repayment is General Fund share of Springfield building rental income.

(e) No support required in FY13. Fund is solvent.

(f) Is the amount the General Fund subsidized all remaining LCOG subfunds for loss (non recovery) of costs.

(g) For this statement, compensated absences reduction is not considered a resource. Balance Sheet reflects the value (\$278,256) in the beginning reserves. This statement's beginning reserves would be a positive \$89,103 if the value was included.

LANE COUNCIL OF GOVERNMENTS
GOVERNMENT SERVICES
SCHEDULE OF RESOURCES AND REQUIREMENTS
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance
Resources:				
Federal and state	\$ 6,627,884	\$ 6,319,014	\$ 4,979,586	\$ (1,339,427)
Local sources	\$ 4,309,653	\$ 4,108,398	\$ 3,665,250	\$ (443,148)
In-kind services	\$ -	\$ -	\$ -	\$ -
Transfers In	\$ 342,495	\$ 243,123	\$ 131,061	\$ (112,062)
Beginning reserves	\$ 2,143,219	\$ 2,040,644	\$ 2,040,644	\$ -
 Total resources	 \$ 13,423,251	 \$ 12,711,179	 \$ 10,816,541	 \$ (1,894,637)
Requirements:				
Personal services	\$ 3,278,032	\$ 2,943,616	\$ 2,795,705	\$ 147,911
Support services	\$ 1,595,835	\$ 1,383,108	\$ 1,280,370	\$ 102,738
Materials and services	\$ 5,228,247	\$ 4,986,324	\$ 3,839,046	\$ 1,147,278
Capital outlay	\$ 143,000	\$ 143,000	\$ 8,475	\$ 134,525
Services by other organizations	\$ 1,295,200	\$ 1,133,130	\$ 1,038,591	\$ 94,539
Transfers Out	\$ 14,235	\$ 251,840	\$ 271,848	\$ (20,008)
 Total requirements	 \$ 11,554,549	 \$ 10,841,018	 \$ 9,234,034	 \$ 1,606,984
 Ending reserves	 \$ 1,868,702	 \$ 1,870,161	 \$ 1,582,507 (a)	 \$ (287,653)

Included in statement are Government Services - Planning , Transportation and Telecommunications activities.

(a) Ending Reserves is Telecommunications.

Note: Economic Development activity in FY13 was \$42,366 in expenses, matched by local funds (\$34,303) support from General Fund (\$8,063).

**LANE COUNCIL OF GOVERNMENTS
SENIOR AND DISABLED SERVICES
SCHEDULE OF RESOURCES AND REQUIREMENTS
BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	Adopted Budget	Revised Budget	Actual	Variance
Resources:				
Federal and state	\$ 12,203,018	\$ 12,417,653	\$ 12,398,918	\$ (18,736)
Local sources	\$ 541,822	\$ 1,072,399	\$ 1,146,124	\$ 73,725
In-kind services	\$ 77,398	\$ 77,461	\$ 255,481	\$ 178,020
Transfers In	\$ 1,836,121	\$ 1,908,472	\$ 2,100,514	\$ 192,042
Beginning reserves	\$ 890,613	\$ 968,828	\$ 968,828	\$ -
	<u>\$ 15,548,972</u>	<u>\$ 16,444,814</u>	<u>\$ 16,869,865</u>	<u>\$ 425,052</u>
Total resources				
Requirements:				
Personal services	\$ 9,101,289	\$ 9,204,549	\$ 9,280,331	\$ (75,782)
Support services	\$ 1,870,149	\$ 1,929,554	\$ 1,969,281	\$ (39,727)
Materials and services	\$ 1,361,275	\$ 1,864,724	\$ 1,781,884	\$ 82,840
Capital outlay	\$ -	\$ -	\$ 13,854	\$ 13,854
Services by other organizations	\$ 708,212	\$ 807,817	\$ 790,639	\$ 17,178
Transfers Out	\$ 1,839,620	\$ 1,917,912	\$ 2,104,196	\$ (186,284)
	<u>\$ 14,880,545</u>	<u>\$ 15,724,556</u>	<u>\$ 15,940,184</u>	<u>\$ (215,629)</u>
Total requirements				
Ending reserves	<u>\$ 668,427</u>	<u>\$ 720,258</u>	<u>\$ 929,681</u>	<u>\$ 209,423</u>

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

**LANE COUNCIL OF GOVERNMENTS
ENTERPRISE FUNDS
SCHEDULE OF RESOURCES AND REQUIREMENTS
BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	Adopted Budget	Revised Budget	Actual	Variance Over (Under)
Resources:				
Federal and state	\$ -	\$ -	\$ -	\$ -
Local sources	\$ 2,686,452	\$ 2,449,206	\$ 2,876,062	\$ 426,856
Transfers In	\$ 33,921	\$ 270,398	\$ 143,196 (a)	\$ (127,202)
Beginning reserves	\$ 2,108,404	\$ 2,661,806	\$ 2,591,357	\$ (70,449)
	<u>\$ 4,828,777</u>	<u>\$ 5,381,410</u>	<u>\$ 5,610,615</u>	<u>\$ 229,205</u>
Requirements:				
Personal services	\$ 287,412	\$ 250,221	\$ 261,662	\$ (11,441)
Support services	\$ 164,982	\$ 143,633	\$ 152,096	\$ (8,463)
Materials and services	\$ 881,225	\$ 866,416	\$ 787,512	\$ 78,904
Capital outlay	\$ -	\$ 54,236	\$ 51,809	\$ 2,427
Loans made (external)	\$ 500,000	\$ 500,000	\$ 790,000 (b)	\$ (290,000)
Debt service	\$ 937,507	\$ 1,058,352	\$ 1,017,681 (c) (d)	\$ 40,671
Transfers Out	\$ 141,735	\$ 27,004	\$ 39,599	\$ (12,595)
	<u>\$ 2,912,861</u>	<u>\$ 2,899,862</u>	<u>\$ 3,100,359 (e)</u>	<u>\$ (200,497)</u>
Ending reserves	<u>\$ 1,915,916</u>	<u>\$ 2,481,547</u>	<u>\$ 2,510,256 (f)</u>	<u>\$ 28,708</u>

- a) Transfers from General Fund: \$117,024 Park Place Building; \$26,172 Springfield Building.
- b) Loans made to local businesses were greater than projected activity by \$290,000.
- c) Is USDA Loans: \$207,072 and Building Loans: \$810,609 - specifically: Park Place Building Loan: \$653,844; Schaefer's Building Loan \$71,001; and Springfield Building Loan: \$85,764.
- d) Park Place Building (PBB) did not actualize loan payment in July 2013. General fund is due \$42,744.38 annually through 8/15/2021.
- e) Requirements consist of loan program expenditures of \$1,438,275; Building expenditures of \$1,590,267; and Minutes Recorder expenditures of \$71,817.
- f) This is the Loan Program reserve.

**LANE COUNCIL OF GOVERNMENTS
ADMINISTRATIVE SERVICES
SCHEDULE OF RESOURCES AND REQUIREMENTS
BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	Adopted Budget	Revised Budget	Actual	Variance Over (Under)
Resources:				
Support services	\$ 3,683,828	\$ 3,374,578	\$ 3,350,634	\$ (333,194)
Overhead balancing adjustment	\$ -	\$ -	\$ 1,564	\$ 1,564
Administrative fees	\$ -	\$ -	\$ 10,152 (a)	\$ 10,152
 Total resources	 \$ 3,683,828	 \$ 3,374,578	 \$ 3,362,350	 \$ (321,478)
Requirements:				
Personal services	\$ 2,165,031	\$ 1,893,614	\$ 1,923,234	\$ (241,797)
Materials and services	\$ 1,518,797	\$ 1,480,964	\$ 1,439,116 (a)	\$ (79,681)
 Total requirements	 \$ 3,683,828	 \$ 3,374,578	 \$ 3,362,350 (a)	 \$ (321,478)
 Ending reserves	 \$ -	 \$ -	 \$ -	 \$ -

Administrative Services consists of:

Executive Director activities (balance of costs not directly associated with LCOG Board activities); Fiscal; Human Resources; Special Projects; Information Technology (staff and costs that benefit LCOG such as the pc help desk and overall general support to LCOG staff that are not associated with grants and contracts).

(a) A total of \$1,890 is not covered by indirect charges (not applicable to be charged to all services); recovered in "fees."

This statement detail is provided as additional information regarding the basis for overhead charges passed on to eligible direct subfunds for administrative support provided direct services during the year.

This is an internal fund and the costs are not included in any other financial statement. The costs for administrative support - \$3,362,350 - is indirect costs. LCOG basis the indirect cost values on the origin of the cost - personal services and materials and services costs - on the All Organizational Units financial statement rather than noting the costs as "Support Services" for transparency purposes. Indirect Support Service costs are noted as such on the on the individual fund type statements.

NON-MAJOR PROPRIETARY FUND STATEMENTS

Non-Major Proprietary Fund Statements

Loan Program – USDA Intermediary Relending Program

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

**LANE COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
INTERMEDIARY RELENDING PROGRAM
June 30, 2013**

ASSETS

Current assets:

Cash and investments	\$ -
Interest receivable	\$ 9,450
Loans receivable	\$ 292,125
Accounts receivable	\$ -
Prepaid expense	\$ -
Total current assets	<u>\$ 301,575</u>

Noncurrent assets:

Restricted cash and investments	\$ 2,419,080
Loans receivable	\$ 1,854,849
Allowance for loan losses	\$ (200,000)
Capital assets, net of accumulated depreciation	\$ -
Total noncurrent assets	<u>\$ 4,073,929</u>

Total assets	<u>\$ 4,375,504</u>
--------------	---------------------

LIABILITIES

Current liabilities:

Due to other funds	\$ -
Accounts payable	\$ -
Accrued payroll and fringe	\$ 1,888
Accrued interest	\$ -
Loans payable	\$ 176,480
Total current liabilities	<u>\$ 178,368</u>

Noncurrent liabilities:

Long-term debt, net of current maturities	\$ 2,881,819
Total noncurrent liabilities	<u>\$ 2,881,819</u>

Total liabilities	<u>\$ 3,060,187</u>
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NET ASSETS

Invested in capital assets, net of related debt	\$ -
Restricted by USDA	<u>\$ 1,315,317</u>
Total net position	<u><u>\$ 1,315,317</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
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERMEDIARY RELENDING PROGRAM
Rural Business Development Program
For the Year Ended June 30, 2013

Operating revenues:	
Loan fees	\$ 4,345
Local revenue	\$ 7,326
State revenue	\$ -
Interest on business loans	\$ 137,138
Total operating revenues	<u>\$ 148,809</u>
Operating expenses:	
Personal services	\$ 107,460
Miscellaneous	\$ 155
Provision for loan losses	\$ 25,000
Interest on loans	\$ 32,490
Total operating expenses	<u>\$ 165,105</u>
Operating income	<u>\$ (16,296)</u>
Non operating revenues (expenses):	
Interest income	\$ 20,612
Interest expense	\$ -
Total non operating revenues	<u>\$ 20,612</u>
Income before transfers	\$ 4,317
Transfers in	\$ -
Transfers out	<u>\$ -</u>
Change in net position	\$ 4,317
Net position, beginning of year	<u>\$ 1,311,000</u>
Net position, end of year	<u><u>\$ 1,315,317</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.

COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES – AGENCY FUNDS

LANE COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
Assets:				
Cash and investments	\$ 813,172	\$ -	\$ 324,687	\$ 488,485
Total assets	<u>\$ 813,172</u>	<u>\$ -</u>	<u>\$ 324,687</u>	<u>\$ 488,485</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other agencies	\$ 813,172	\$ -	\$ 324,687	\$ 488,485
Total liabilities	<u>\$ 813,172</u>	<u>\$ -</u>	<u>\$ 324,687</u>	<u>\$ 488,485</u>

Agency is 9-1-1 Public Safety Answering Point (PSAP).

OTHER SUPPLEMENTARY INFORMATION

Schedules Required by Oregon Minimum Standards

- Schedule of Insurance in Force
- Schedule of Future Requirements for Retirement of Long-term Debt

Schedule of Receivables and Deferred Revenue – Grants and Contracts

SCHEDULES REQUIRED BY OREGON MINIMUM
STANDARDS

- Schedule of Insurance in Force
- Schedule of Future Requirements for Retirement of Long-term Debt

**LANE COUNCIL OF GOVERNMENTS
SCHEDULE OF INSURANCE IN FORCE
For the Year Ended June 30, 2013**

Item	Description	Insurance
Property	Building and contents, furniture and equipment owned and operated by Lane Council of Governments	\$ 30,405,553
	Deductible	\$ 1,000
	Portable equipment	\$ 49,000
	Deductible	\$ 500
Automobiles	Comprehensive liability for bodily injury and property damage	\$ 5,000,000 each occurrence
	Underinsured/uninsured motorist	\$ 5,000,000 each occurrence
	Comprehensive	\$100 deductible
	Collision	\$500 deductible
General liability	Comprehensive liability for bodily injury and property damage, crime coverage	\$ 5,000,000 each occurrence \$ 15,000,000 general aggregate
Crime		\$ 50,000
Excess Crime	Employee dishonesty, all employees, commercial blanket coverage	\$ 200,000
	Deductible	\$1,000
Boiler/Machinery	Comprehensive coverage for Schaefer's, Park Place and Washington Mutual Buildings	Included in property premium
	Deductible	\$1,000
Workers Compensation	Coverage A	Statutory - per occurrence
	Coverage B	\$ 3,000,000 each occurrence

**LANE COUNCIL OF GOVERNMENTS
SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF
LONG-TERM DEBT**

Fiscal Year Ending	Park Place Building					
	Umpqua Bank Loan		Wells Fargo Loan		Umpqua Bank Loan/FPD	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	132,176	278,153	51,975	18,430	47,563	4,961
2015	139,738	270,591	54,793	15,612	44,836	1,533
2016	147,007	263,321	57,763	12,641	-	-
2017	156,143	254,186	60,895	9,509	-	-
2018	165,076	245,253	64,197	6,208	-	-
2019	4,307,559	197,086	67,677	2,727	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
	<u>\$ 5,047,699</u>	<u>\$ 1,508,590</u>	<u>\$ 357,300</u>	<u>\$ 65,127</u>	<u>\$ 92,399</u>	<u>\$ 6,494</u>
	Original loan	Date of loan	Original loan	Date of loan	Original loan	Date of loan
	\$4,750,000	1/3/2008	\$550,000	6/9/2009	\$219,963	5/20/2010
	<u>\$750,000</u>	4/6/2009				
	\$5,500,000					

This schedule is continued on the following pages.

This schedule is continued from previous page.

**LANE COUNCIL OF GOVERNMENTS
SCHEDULE OF FUTURE REQUIREMENTS FOR
RETIREMENT OF LONG-TERM DEBT, continued**

Fiscal Year Ending	USDA Loan #1		USDA Loan #2		USDA Loan #3	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	74,610	10,290	36,566	5,884	16,975	3,325
2015	75,356	9,544	36,931	5,519	17,145	3,155
2016	76,110	8,790	37,301	5,149	17,316	2,984
2017	76,871	8,029	37,674	4,776	17,489	2,811
2018	77,640	7,260	38,051	4,399	17,664	2,636
2019	78,416	6,484	38,431	4,019	17,841	2,459
2020	79,200	5,700	38,815	3,635	18,019	2,281
2021	79,992	4,908	39,203	3,247	18,199	2,101
2022	80,792	4,108	39,595	2,855	18,381	1,919
2023	81,600	3,300	39,991	2,459	18,565	1,735
2024	82,416	2,484	40,391	2,059	18,751	1,549
2025	83,240	1,660	40,795	1,655	18,938	1,362
2026	82,519	827	41,203	1,247	19,128	1,172
2027	-	-	41,615	835	19,319	981
2028	-	-	41,422	418	19,512	788
2029	-	-	-	-	19,707	593
2030	-	-	-	-	19,904	396
2031	-	-	-	-	19,642	198
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
	<u>\$ 1,028,762</u>	<u>\$ 73,384</u>	<u>\$ 587,984</u>	<u>\$ 48,156</u>	<u>\$ 332,495</u>	<u>\$ 32,445</u>
	Original loan	Date of loan	Original loan	Date of loan	Original loan	Date of loan
	\$2,000,000	10/25/1995	\$1,000,000	5/21/1998	\$4,780,000	10/11/2000

This schedule is continued from previous page.

USDA Loan #4		USDA Loan #5		USDA Loan #6		Total - All Debt	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
14,056	2,924	17,391	3,830	16,882	4,341	568,148	550,297
14,196	2,784	17,565	3,656	17,051	4,173	585,017	527,273
14,338	2,642	17,740	3,480	17,221	4,002	559,455	506,461
14,481	2,499	17,918	3,303	17,393	3,830	2,724,461	456,188
14,626	2,354	18,097	3,124	17,567	3,656	2,338,603	319,594
14,773	2,207	18,278	2,943	17,743	3,480	4,560,718	221,405
14,920	2,060	18,461	2,760	17,920	3,303	187,335	19,739
15,069	1,911	18,645	2,575	18,100	3,124	189,208	17,866
15,220	1,760	18,832	2,389	18,281	2,943	191,101	15,974
15,372	1,608	19,020	2,201	18,463	2,760	193,011	14,063
15,526	1,454	19,210	2,010	18,648	2,575	194,942	12,131
15,681	1,299	19,402	1,818	18,834	2,389	196,890	10,183
15,838	1,142	19,596	1,624	19,023	2,200	197,307	8,212
15,997	983	19,792	1,428	19,213	2,010	115,936	6,237
16,156	824	19,990	1,230	19,405	1,818	116,485	5,078
16,318	662	20,190	1,030	19,599	1,624	75,814	3,909
16,481	499	20,392	829	19,795	1,428	76,572	3,152
16,646	334	20,596	625	19,993	1,230	76,877	2,387
16,594	167	20,802	419	20,193	1,030	57,589	1,616
-	-	20,858	211	20,395	828	41,253	1,039
-	-	-	-	20,600	624	20,600	624
-	-	-	-	20,805	418	20,805	418
-	-	-	-	20,721	210	20,721	210
<u>\$ 292,288</u>	<u>\$ 30,113</u>	<u>\$ 382,775</u>	<u>\$ 41,485</u>	<u>\$ 433,845</u>	<u>\$ 53,996</u>	<u>\$ 13,308,848</u>	<u>\$ 2,704,056</u>

Original loan	Date of loan	Original loan	Date of loan	Original loan	Date of loan
\$400,000	7/30/2001	\$500,000	8/22/2002	\$500,000	6/29/2006

Business	\$ 3,058,149	\$ 279,579
Building	<u>\$ 10,250,699</u>	<u>\$ 2,424,477</u>
Total	\$13,308,848	\$2,704,056

This schedule is continued from previous page.

SCHEDULE OF RECEIVABLES AND DEFERRED REVENUE –
GRANTS AND CONTRACTS

LANE COUNCIL OF GOVERNMENTS
SCHEDULE OF RECEIVABLES AND DEFERRED
REVENUE GRANTS AND CONTRACTS ONLY
For the Year Ended June 30, 2013

Governmental Service Fund	Accounts Receivable	Deferred Revenue
ADRC	\$12,821	\$0
BTOP Fiber Project	\$49,505	\$0
BTOP Match	\$0	\$8,013
Community Safety-CENS	\$0	\$1,888
Community Satety-Other	\$44,907	\$17,161
Creative Services--Other	\$5,752	\$0
Economic Development	\$336	\$0
GISCPA	\$18,041	\$3,340
GIS--Other	\$64,057	\$1,708
GIS Graffiti Data Base	\$0	\$67
Hearings Official	\$26,019	\$0
Hospital Intake Services	\$18,653	\$0
Intergovernmental Human Services	\$9,400	\$0
Lane Info Center	\$4,572	\$0
Living Well	\$5,000	\$0
Meal Preparation	\$48,514	\$0
Metro Television	\$1,583	\$1,118
Miscellaneous Support S&DS	\$4,668	\$0
Natural Resources Planning	\$82,446	\$0
OR Emergency Mgmt and OR State Police	\$16,961	\$0
Oregon Planning Institute	\$6,110	\$0
Oregon Project Independence (OPI)	\$82,226	\$0
Phase III Wetlands Inventory	\$0	\$10,808
Regional OrthoFY13	\$6,678	\$50,062
RTS--Other	\$12,679	\$339
S&DS Transportation Assessments	\$21,489	\$0
Scenario Planning	\$72,940	\$0
Senior Meals	\$19,175	\$0
Special Agreements	\$27,164	\$0
Tax Collections	\$0	\$44,675
Telecommunications Operations	\$130,034	\$0
Telecommunications Projects	\$6,087	\$0
Telecommunications Management	\$0	\$19,580
Telecommunications Planning	\$14,794	\$62,089
Title III-B	\$6,360	\$0
Title III-C-1	\$8,193	\$0
Title III-D	\$10,713	\$0
Title III-E	\$21,152	\$0
Title VII-A	* (\$2,071)	\$0
Transportation Operations	\$321,510	\$0
Transportation Projects	\$131,405	\$0
Type B Funds - Senior and Disabled Services	\$387,193	\$0
United Front	\$2,574	\$99
Urban and Regional Planning	\$71,454	\$0
USDA/NSIP	\$60,184	\$0
Wetland Mulit City Inventory	\$0	\$18,206
Total	<u>\$1,831,276</u>	<u>\$239,153</u>

Schedule includes Special Revenue Funds only. Excluded are General Fund (\$14,225) and Enterprise Funds (\$33,547) receivables and General Fund deferred revenue of (\$90).

* State reimburses for the sum of Title III-B through Title VII-A. The credit noted here is an anticipated overage by the State as of 6/30/13.

STATISTICAL SECTION

Financial

- Net Assets by Activity – Last Ten Years
- Change in Net Position – Last Ten Years
- Change in Fund Balances, Governmental Funds – Last Ten Years

Revenue Capacity

- Total Resources – Last Ten Years
- Total Revenue by Source, Governmental Funds – Last Ten Years
- Total Revenue, All Funds – Last Ten Years
- Member Dues – Last Ten Years
- Chart: Member Dues

Operating Information

- Net Operating Performance – Last Ten Years
- Net Performance by Service Area – Last Ten Years
- Reserves All Funds – Last Ten Years
- Net Capital Assets by Activity – Last Ten Years

FINANCIAL

- Net Assets by Activity – Last Ten Years
- Change in Net Position – Last Ten Years
- Change in Fund Balances, Governmental Funds – Last Ten Years

**LANE COUNCIL OF GOVERNMENTS
TEN YEAR COMPARISON: NET ASSETS BY ACTIVITY
FY2004 - FY2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Net Assets</u>	<u>Net Change from Prior Year</u>
FY04	\$4,883,959	\$7,252,639	\$12,136,598	
FY05	\$5,810,725	\$8,208,263	\$14,018,988	\$1,882,390
FY06	\$5,743,363	\$8,385,410	\$14,128,773	\$109,785
FY07	\$7,640,468	\$8,520,237	\$16,160,705	\$2,031,932
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 (b)
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) (b) (c)
FY13	\$5,247,803	\$15,867,294	\$21,115,097	(\$1,085,680) (d)
Average	\$5,901,128	\$13,019,245	\$18,920,373	\$906,217

Net Assets are Assets less accumulated depreciation (governmental) and accumulated amortization (business-type).

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

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

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

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

**LANE COUNCIL OF GOVERNMENTS
TEN YEAR COMPARISON: CHANGE IN NET POSITION -
BY ACTIVITY
FY2004 - FY2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Change in Net Position</u>	<u>Net Change from Prior Year</u>
FY04	\$184,813	\$42,798	\$227,611	
FY05	\$370,480	\$1,218,290	\$1,588,770	\$1,361,159
FY06	(\$135,296)	\$453,909	\$318,613	(\$1,270,157)
FY07	\$129,173	\$142,817	\$271,990	(\$46,623)
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)	\$60,898	(\$49,709)	(\$358,200)
FY11	\$302,081	\$136,611	\$438,692	\$488,401
FY12	(\$727,640)	\$296,021	(\$431,619)	(\$870,311) (a)
FY13	(\$118,481)	(\$256,067)	(\$374,548)	\$57,071
Average	(\$275,475)	\$447,944	\$172,469	(\$131,856)

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. For example, the FY13 total change in net position of (\$374,548) is as follows:

Beginning Position	Ending Position	Change
\$1,871,706	\$1,753,225	-\$118,481 Change in net position for governmental activities
\$3,471,251	\$3,215,184	-\$256,067 Change in net position for business-type activities
	\$	(374,548) Total Change

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

**LANE COUNCIL OF GOVERNMENTS
TEN YEAR COMPARISON: CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FY2004 - FY2013**

	General <u>Fund</u>	Special Revenue <u>Funds</u>	Total <u>Governmental Funds</u>
FY04	\$22,570	\$160,049	\$182,619
FY05	\$22,600	\$373,902	\$396,502
FY06	(\$318,856)	\$218,995	(\$99,861)
FY07	\$1,801,933 (a)	\$187,770	\$1,989,703
FY08	(\$878,814) (b)	\$294,323	(\$584,491)
FY09	(\$905,644) (c)	\$99,325	(\$806,319)
FY10	(\$75,696)	(\$135,008)	(\$210,704)
FY11	\$155,510	\$93,824	\$249,334
FY12	(\$704,171)	(\$229,657)	(\$933,828)
FY13	\$268,439	(\$497,284)	(\$228,845)
Average	(\$61,213)	\$56,624 (d)	(\$4,589)

(a): Reflects first building loan proceeds of \$1.8 million received (recorded in General Fund initially).

(b): Combination of Springfield building equity loan \$1.3 million received and transfer of funds to Park Place Building.

(c): Current year loss (includes interest income decline \$123,623; debt service increase \$47,072; leave expense \$63,303).

(d): This service area includes Building Program; overall program requires support from General Government.

REVENUE CAPACITY

- Total Resources – Last Ten Years
- Total Revenue by Source, Governmental Funds – Last Ten Years
- Total Revenue, All Funds – Last Ten Years
- Member Dues – Last Ten Years
- Chart: Member Dues

LANE COUNCIL OF GOVERNMENTS
TEN YEAR COMPARISON: TOTAL RESOURCES, ALL FUNDS
FY2004 - FY2013

	<u>Beginning Reserves</u>	<u>Current Year Revenues</u>	<u>Total Resources</u>	<u>Net Change from Prior Year</u>
FY04	\$4,244,444	\$17,682,437	\$21,926,881	
FY05	\$4,096,944	\$22,328,765	\$26,425,709	\$4,498,828
FY06	\$4,633,754	\$23,766,061	\$28,399,815	\$1,974,106
FY07	\$4,552,008	\$26,502,259	\$31,054,267	\$2,654,452 (a)
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) (d)
Average	\$5,480,932	\$24,662,435	\$30,143,368	\$1,074,293

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): Includes \$4.6 million in BTOP/HUD/ODOT full funding for multi year project.

(d): BTOP/HUD/ODOT reduction in project revenues to match reduced expenditures in year two.

LANE COUNCIL OF GOVERNMENTS
TEN YEAR COMPARISON: REVENUE BY SOURCE - GOVERNMENTAL FUNDS
FY2004 - FY2013

	<u>Federal Revenue</u>	<u>State Revenue (a)</u>	<u>Local Revenue</u>	<u>Member Dues (b)</u>	<u>In Kind Revenue</u>	<u>Total Revenues Governmental Funds</u>
FY04	\$9,345,423	\$0	\$6,479,660	\$189,321	\$198,061	\$16,212,465
FY05	\$12,070,122	\$0	\$6,892,964	\$195,340	\$613,310	\$19,771,736
FY06	\$10,364,218	\$0	\$7,780,662	\$199,279	\$3,496,007	\$21,840,166
FY07	\$10,441,683	\$0	\$12,490,398	\$210,069	\$168,019	\$23,310,169 (c)
FY08	\$10,925,138	\$0	\$8,434,065	\$219,472	\$172,250	\$19,750,925 (c)
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 (d)
FY13	\$7,184,139	\$10,194,365	\$5,122,453	\$195,879	\$255,481	\$22,952,317 (e)
Average	\$8,325,427	\$4,690,028	\$7,493,865	\$212,182	\$578,611	\$21,300,113

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 & Disabled Services.

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) This is the actual revenue received and does not indicate the total amount of dues from members for the year noted. For more detail on Member Dues, see Chart: Member Dues for the last ten years of dues.
- (c): Reflects receipt of proceeds from loans on Schaefer's Building and Park Place Building: \$2,700,994.
- (d): Reflects large multi year grant from ODOT - \$4.6 million BTOP Fiber Project grant in year one.
- (e): Includes reduction in federal revenues (project phases and completion timing resulting in reduced revenues).

**LANE COUNCIL OF GOVERNMENTS
TEN YEAR COMPARISON: TOTAL REVENUE, ALL FUNDS
FY2004 - FY2013**

	<u>Revenues</u>	<u>Change from Prior Year</u>
FY04	\$17,682,437	
FY05	\$22,328,765	\$4,646,328
FY06	\$23,766,061	\$1,437,296
FY07	\$26,502,259	\$2,736,198 (a)
FY08	\$28,380,628	\$1,878,369 (b) (c)
FY09	\$23,950,708	(\$4,429,920) (d)
FY10	\$24,328,135	\$377,427
FY11	\$25,420,051	\$1,091,916
FY12	\$28,436,930	\$3,016,879 (e)
FY13	\$25,828,379	(\$2,608,551) (f)
Average	<u>\$24,662,435</u>	<u>\$814,594</u>

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

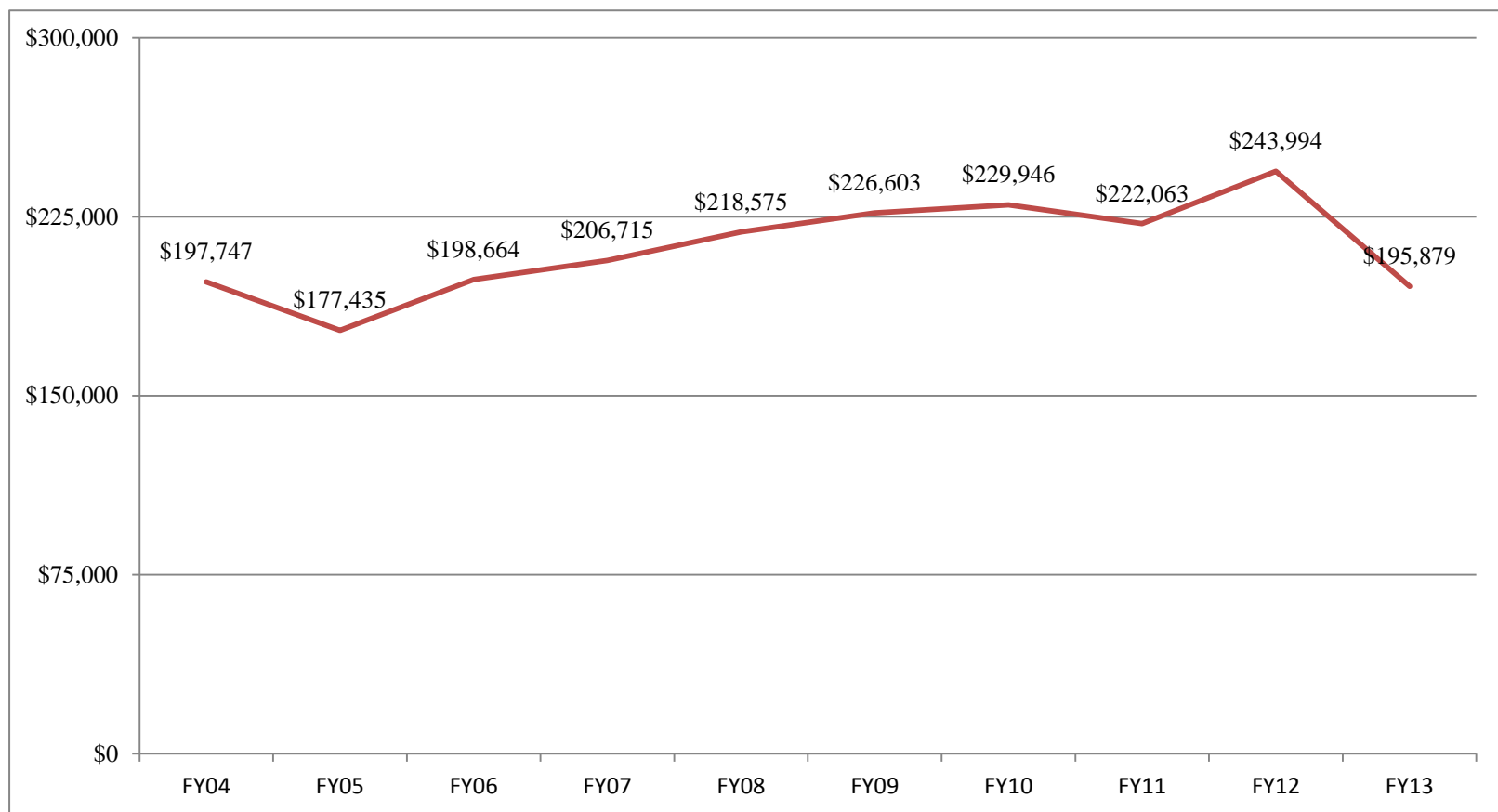
- (a): Includes receipt of proceeds from loans on Schaefers Building. \$3,000,000 one time revenue.
- (b): Includes \$1,350,497 receipt of proceeds to purchase Park Place Building and pay off \$1,149,503 Wells Fargo Bank loan (a \$2,500,000 one time revenue). Also includes partial receipt of proceeds for Park Place Building.
- (c): Includes balance of proceeds to purchase Park Place Building.
- (d): Change is due in part to the prior year including one time revenues (loan proceeds primarily).
- (e): Includes large multi year grants - BTOP - \$4,285,383; million; HUD/ODOT: \$380,000 increase.
- (f): Change is due in part to level of project activities on BTOP/ODOT/HUD grant in year two being \$1.9 million less than prior year.

**LANE COUNCIL OF GOVERNMENTS
TEN YEAR HISTORY: MEMBER DUES
FY2004 - FY2013**

Member Agency	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Bethel School District 52	\$555	\$1,213	\$0	\$1,292	\$667	\$0	\$635	\$632	\$646	\$559
Coburg	\$411	\$445	\$457	\$479	\$496	\$503	\$505	\$508	\$510	\$410
Cottage Grove	\$3,623	\$3,778	\$3,919	\$4,081	\$4,276	\$4,392	\$4,449	\$4,458	\$4,463	\$3,823
Creswell	\$1,594	\$1,692	\$1,792	\$2,027	\$2,084	\$2,186	\$2,214	\$2,251	\$2,277	\$1,967
Dunes City	\$535	\$555	\$566	\$596	\$620	\$0	\$0	\$0	\$268	\$512
EPUD	\$1,829	\$952	\$1,974	\$2,089	\$2,198	\$2,309	\$2,328	\$2,351	\$2,420	\$1,996
Eugene	\$59,088	\$61,018	\$62,918	\$65,480	\$68,502	\$72,234	\$72,671	\$73,837	\$74,187	\$61,629
Eugene School District 4J	\$1,862	\$1,906	\$1,882	\$1,934	\$1,929	\$1,927	\$1,884	\$1,948	\$1,916	\$1,651
EWEB	\$17,705	\$0	\$8,981	\$4,491	\$9,676	\$9,994	\$10,124	\$0	\$20,471	\$8,530
Fern Ridge Library District	\$415	\$424	\$435	\$448	\$461	\$470	\$470	\$470	\$470	\$392
Florence	\$3,154	\$3,299	\$3,406	\$3,667	\$3,812	\$3,887	\$4,423	\$4,503	\$4,507	\$3,323
Junction City	\$1,988	\$2,065	\$2,136	\$2,215	\$2,289	\$2,413	\$2,491	\$2,566	\$2,665	\$2,136
Lane Community College	\$1,380	\$1,311	\$1,166	\$1,139	\$1,235	\$1,309	\$1,295	\$1,500	\$1,750	\$1,506
Lane County*	\$75,475	\$68,682	\$77,405	\$83,349	\$86,634	\$89,216	\$89,929	\$90,399	\$90,623	\$76,635
Lane ESD	\$0	\$424	\$435	\$448	\$461	\$470	\$470	\$470	\$470	\$392
Lane Library District	\$0	\$141	\$435	\$909	\$0	\$470	\$470	\$470	\$470	\$392
Lowell	\$357	\$377	\$392	\$412	\$440	\$468	\$477	\$484	\$489	\$410
McKenzie School District 68	\$29	\$30	\$29	\$30	\$29	\$27	\$25	\$26	\$23	\$20
Oakridge	\$1,307	\$1,560	\$1,601	\$1,649	\$1,706	\$1,739	\$1,770	\$1,765	\$1,770	\$1,257
Port of Siuslaw	\$415	\$424	\$435	\$448	\$461	\$470	\$470	\$470	\$470	\$392
River Road Park&Rec District	\$0	\$0	\$0	\$0	\$0	\$147	\$470	\$470	\$470	\$392
Siuslaw Library District	\$415	\$424	\$435	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Siuslaw Rural FPD #1	\$0	\$0	\$0	\$0	\$461	\$470	\$470	\$470	\$470	\$392
Springfield	\$22,373	\$23,201	\$24,077	\$25,025	\$26,307	\$26,940	\$27,262	\$27,300	\$27,530	\$23,417
Springfield School District 19	\$1,099	\$1,050	\$1,182	\$1,230	\$1,261	\$1,284	\$1,269	\$1,277	\$1,193	\$1,054
Veneta	\$1,179	\$1,476	\$1,592	\$1,772	\$1,955	\$2,181	\$2,275	\$2,338	\$2,366	\$1,808
Western Lane Ambulance	\$415	\$424	\$435	\$448	\$461	\$470	\$470	\$470	\$470	\$392
Westfir	\$129	\$140	\$144	\$148	\$154	\$157	\$160	\$160	\$160	\$100
Willamalane	<u>\$415</u>	<u>\$424</u>	<u>\$435</u>	<u>\$909</u>	<u>\$0</u>	<u>\$470</u>	<u>\$470</u>	<u>\$470</u>	<u>\$470</u>	<u>\$392</u>
Total Member Dues	\$197,747	\$177,435	\$198,664	\$206,715	\$218,575	\$226,603	\$229,946	\$222,063	\$243,994	\$195,879

Note: Amounts are dues actually paid, not necessarily annual amounts.

**LANE COUNCIL OF GOVERNMENTS
TEN YEAR HISTORY: MEMBER DUES
FY2004 - FY2013**



Due to the fiscal challenges to many of our member's budgets in FY12, LCOG reduced dues by 16.5%. Current member due revenue is at the FY06 level. Rate reduction remains in place in FY14 budget as well.

Note: amount of dues in chart is based on actual amount paid in the fiscal year noted (not necessarily the amount of the annual dues).

OPERATING INFORMATION

- Net Operating Performance – Last Ten Years
- Net Performance by Service Area – Last Ten Years
- Reserves All Funds – Last Ten Years
- Net Capital Assets by Activity – Last Ten Years

LANE COUNCIL OF GOVERNMENTS
TEN YEAR COMPARISON: NET OPERATING PERFORMANCE
FY2004 - FY2013

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net</u>	<u>Net Change from Prior Year</u>
FY04	\$17,682,437	\$17,829,936	(\$147,499)	
FY05	\$22,328,765	\$21,791,955	\$536,810	\$684,309
FY06	\$23,766,061	\$23,847,805	(\$81,744)	(\$618,554)
FY07	\$26,502,259	\$24,291,393	\$2,210,866 (a)	\$2,292,610
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
Average	\$24,689,133	\$24,600,008	\$89,126	(\$1,441)

This statement details operating revenues only (excludes reserves).

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 funding from year to year or fluctuations from one time transactions.

(a): Includes a one time \$2,500,000 in proceeds from borrowing on building (non operating revenue recorded as operating - local revenue).

LANE COUNCIL OF GOVERNMENTS
TEN YEAR COMPARISON: NET OPERATING PERFORMANCE BY AREA
FY2004 - FY2013

	<u>General Government</u>	<u>Government Services</u>	<u>Senior & Disabled Services</u>	<u>Business Programs (d)</u>	<u>Total</u>
FY04	\$115,942	\$208,869	(\$208,018)	(\$264,292)	(\$147,499)
FY05	\$187,184	\$38,477	\$312,766	(\$1,617)	\$536,810
FY06	(\$82,800)	\$130,778	\$18,172	(\$147,895)	(\$81,745)
FY07	\$1,874,058	\$9,629	\$18,748	\$308,431 (a)	\$2,210,866
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)
Average	<u>\$307,117</u>	<u>(\$21,884)</u>	<u>\$36,359</u>	<u>(\$232,466)</u>	<u>\$89,126</u>

(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): This service area includes Building Program; overall program requires support from General Government.

**LANE COUNCIL OF GOVERNMENTS
TEN YEAR COMPARISON: RESERVES, ALL FUNDS
FY2004 - FY2013**

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total Reserves</u>	<u>Change from Prior Year</u>
FY04	\$2,472,262	\$1,624,683	\$4,096,945	
FY05	\$2,868,763	\$1,764,991	\$4,633,754	\$536,809
FY06	\$2,768,902	\$1,783,107	\$4,552,009	(\$81,745)
FY07	\$4,758,605	\$2,004,269	\$6,762,874	\$2,210,865 (a)
FY08	\$4,174,114	\$2,625,481	\$6,799,595	\$36,721 (b)
FY09	\$3,367,796	\$2,339,498	\$5,707,294	(\$1,092,301) (c)
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) (d)
FY13	\$2,739,510	\$2,510,256	\$5,249,766	(\$588,008) (e)
Average	\$3,292,163	\$2,251,179	\$5,543,342	\$115,282

Reserves is the balance remaining in LCOG funds at 6/30/13 (ending balances)

(a): Includes receipt of proceeds from loans on Schaefer's Building. \$3,000,000 one time revenue.

(b): Includes \$1,350,497 receipt of proceeds to purchase Park Place Building and costs to pay off \$1,149,503 Wells Fargo Bank loan (one time \$2,500,000 in transactions). In addition, reserves includes net of receipt of proceeds to purchase Park Place Building and make improvements.

(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 is due in part to level of project activities on BTOP/ODOT/HUD grant in year two being \$1.9 million less than prior year.

LANE COUNCIL OF GOVERNMENTS
TEN YEAR COMPARISON: NET CAPITAL ASSETS BY ACTIVITY
FY2004 - FY2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Net Capital Assets</u>	<u>Net Change from Prior Year</u>
FY04	611,914	2,505,131	3,117,045	
FY05	518,720	2,660,215	3,178,935	61,890
FY06	411,668	2,843,988	3,255,656	76,721
FY07	334,985	2,848,638	3,183,623	(72,033)
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	449,951	9,920,744	10,370,695	(481,450)
<u>Average</u>	<u>358,597</u>	<u>7,257,270</u>	<u>7,615,867</u>	<u>689,963</u>

This schedule details the changes to LCOG's Capital Assets by activity. For example, in FY13 capital assets declined by \$481,450 from the prior year. The change is the net of additions, deletions or removals from assets, and accumulated depreciation.

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

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

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

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

Oregon Administrative Rules 165-10-060 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports.



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

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Lane Council of Governments, Eugene, Oregon as of and for the year ended June 30, 2013, and have issued our report thereon dated November 14, 2013. 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 the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial 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.**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **State school fund factors and calculation.**
- **Schedule of Accountability of Elected Officials.**

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

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

This report is intended solely for the information and use of the Board of Directors and management of Lane Council of Governments, Eugene, Oregon and the Oregon Secretary of State, and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink, appearing to read "Matthew Graves".

Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.

GRANT COMPLIANCE REVIEW



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

Independent Auditors' 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*

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 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Matthew Graves".

Matthew Graves, CPA
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To the Board of Directors
Lane Council of Governments
Eugene, Oregon

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited Lane Council of Governments' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2013. The major federal programs 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Lane Council of Governments, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management 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 internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors’ Results

Financial Statements

Type of Auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses _____ Yes X None reported

Any audit findings disclosed relating to the financial statements which are required to be reported in accordance with GAGAS, A-133 S505(d)(2) _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses _____ Yes X None reported

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 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs

CFDA Number(s):

11.557

93.044, 93.045 and 93.053

Name of Federal Program:

Broadband Technology Opportunities Program (BTOP) - ARRA

Aging Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

LANE COUNCIL OF GOVERNMENTS
EUGENE, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS continued

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None Reported

LANE COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA No.	Pass-Through Grantor's No.	Estimated Federal Award	Revenues			Federal	Receivable/	
				Federal	State and Local	Total	Awards Expended	(Deferred Revenue)	
U.S. Department of Agriculture:									
Direct Programs:									
Intermediary Relending Program	10.767	61.01	\$1,102,633 ¹	\$ 73,783 ²	\$ -	\$ 73,783	\$ 1,028,850 ⁴	\$ N/A	
Intermediary Relending Program	10.767	61.02	\$624,188 ¹	\$ 36,174 ²	-	36,174	588,014 ⁴	N/A	
Intermediary Relending Program	10.767	61.03	\$349,302 ¹	\$ 16,818 ²	-	16,818	332,484 ⁴	N/A	
Intermediary Relending Program	10.767	61.04	\$306,204 ¹	\$ 13,951 ²	-	13,951	292,253 ⁴	N/A	
Intermediary Relending Program	10.767	61.05	\$399,993 ¹	\$ 17,247 ²	-	17,247	382,746 ⁴	N/A	
Intermediary Relending Program	10.767	61.06	\$450,560 ¹	\$ 16,608 ²	-	16,608	433,952 ⁴	N/A	
Intermediary Relending Program	10.767	N/A	N/A	- ³	-	-	600,000 ⁵	N/A	
Rural Business Enterprise Grant	10.783	N/A	\$79,036	19,920 ²	-	19,920	59,116 ⁴	N/A	
Passed through State Department of Human Services:									
Food Stamp Administration, Type B Funds	10.561	121729	599,023	599,023	599,023	1,198,046	599,023	64,149	
Total Department of Agriculture				793,524	599,023	1,392,547	4,316,438	64,149	
U.S. Department of Commerce:									
Direct Program:									
EDA Revolving Loan	11.307		N/A	N/A	N/A	N/A	587,616	-	
Passed through Nat'l Telecommunications & Info Admin									
BTOP Fiber Project	ARRA-11.557	N10BIX5570032	8,325,530	2,654,315	-	2,654,315	2,654,315	49,505	
Total Department of Commerce				2,654,315	-	2,654,315	3,241,931	49,505	
U.S. Department of the Interior:									
Direct Programs:									
USGS Geographic Names info System (GNIS)	15.808	G12AC20099	50,000	40,874	-	40,874	40,874	13,520	
Total Department of the Interior				40,874	-	40,874	40,874	13,520	
U.S. Department of Housing & Urban Development:									
Direct Program:									
HUD Sustainability Grant	14.703	ORRIP0031-10	1,450,000	535,458	-	535,458	535,458		
Total Department of Housing & Urban Development:				535,458	-	535,458	535,458		

¹Loans from USDA outstanding at beginning of year.

²Estimated interest subsidy

³Loans received from USDA this year.

⁴Federal awards expended includes USDA loans outstanding plus interest subsidy.

⁵Federal awards expended include revolving loan fund loans issued during the year.

See Auditor's Grants Compliance Review for additional information on federal awards.

LANE COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
For the year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA No.	Pass-Through Grantor's No.	Estimated Federal Award	Revenues			Federal	Receivable/
				Federal	State and Local	Total	Awards Expended	(Deferred Revenue)
U.S. Department of Transportation:								
Passed through State Department of Transportation:								
Transportation Planning--IGAPS	20.205	23707	54,000	-	-	-	-	-
Transportation Planning--12 MPO-STP	20.205	27819	773,588	55,344	33	55,377	55,344	-
Transportation Planning--13 MPO-STP	20.205	28618	670,289	584,206	-	584,206	584,206	299,052
Transportation Planning--13 MPO-PL	20.205	28617	562,689	420,959	48,338	469,297	420,959	-
ODOT Regional Land Use Modeling	20.205	26015	500,000	-	-	-	-	-
ODOT Central Lane Scenario Planning	20.205	28901	329,335	131,168	-	131,168	131,168	39,350
ODOT Central Lane Scenario Planning Phase I & II	20.505	28990	357,245	68,475	-	68,475	68,475	33,590
Federal Transit Administration-FTA 13	20.505	28816	98,455	47,241	-	47,241	47,241	22,458
Passed through Federal Transit Capital Investment Grant:								
Lane Transit District Gateway Before & After Study	20.500	2013-11	10,000	3,712	-	3,712	3,712	3,069
Lane Transit District Bus Rapid Transit Lane Use Tracking	20.500	2013-33	21,306	286	-	286	286	286
Passed through Research & Innovative Technology Grant:								
University of New Orleans Transit Project	20.000	#160	4,000	1,200	1	1,201	1,200	-
Total Department of Transportation				1,312,591	48,372	1,360,963	1,312,591	397,805
U.S. Environmental Protection Agency:								
Passed through the Oregon Department of Environmental Quality:								
Environmental Quality:								
GWMA Phase 4	66.460	DEQ#005-11	72,480	13,330	-	13,330	13,330	2,244
GWMA Phase 5	66.460	DEQ#012-13	43,471	-	-	-	-	-
Direct Programs:								
EPA 10-City Wetlands Inventory	66.119	WC-OOJO5001	471,638	33,430	2	33,432	33,430	-
EPA Wetlands Program Development	66.461	CD-96099301	151,071	35,330	-	35,330	35,330	14,734
EPA Phase III City/County Water Resources	66.461	CD-00J48901	132,415	19,126	-	19,126	19,126	2,525
EPA Wetlands Phase III	66.461	CD-00J25401-0	167,119	43,783	-	43,783	43,783	7,611
Total Environmental Protection Agency				144,999	2	145,001	144,999	27,114
U.S. Department of Health and Human Services:								
Passed through State Department of Human Services:								
Special Programs for Aging, Title III-B	93.044	128909	422,066	422,066	455,807	877,873	422,006	6,360
Special Programs for Aging, Title III-C-1	93.045	128909	405,370	405,370	200,107	605,477	405,370	8,193
Special Programs for Aging, Title III-C-2	93.045	128909	269,620	269,620	795,807	1,065,427	268,972	10,713
Special Programs for Aging, Title III-D	93.043	128909	25,182	25,182	-	25,182	15,713	21,152
Special Programs for Aging, Title III-E	93.052	128909	180,311	180,311	55,419	235,730	179,725	-
Special Programs for Aging, Title VII	93.041	128909	2,027	2,027	-	2,027	389	(2,071)
Nutrition Services Incentive Program	93.053	128909	152,111	152,111	-	152,111	152,111	60,184
Centers for Medicare and Medicaid Services Research	93.779	130872	28,669	28,669	-	28,669	28,669	-
Passed through Lane County Health and Human Services:								
Low-Income Home Energy Assistance	93.568	22831	50,000	33,071	-	33,071	33,071	-
Passed through Oregon Research Institute: ORI CAST	93.864	R01HD057839	188,794	11,971	-	11,971	11,971	-
Total Department of Health and Human Services				1,530,398	1,507,140	3,037,538	1,517,997	104,531
TOTALS				\$ 7,012,159	\$ 2,154,537	\$ 9,166,696	\$ 11,110,289	\$ 646,517

See Auditor's Grants Compliance Review for additional information on federal awards.

