

City of Veneta



**VENETA, OREGON**

**Audit Report**

**June 30, 2012**

**STEVE TUCHSCHERER**  
Certified Public Accountant  
A Professional Corporation

# CITY OF VENETA

88184 Eighth Street  
P.O. Box 458  
Veneta, Oregon 97487  
(541) 935-2191

---

## CITY OFFICIALS

SHARON HOBART (Resigned July 23, 2012) 88145 9 <sup>th</sup> Street, Veneta, Oregon 97487	Mayor
SANDRA LARSON. 25456 E. Hunter Road, Veneta, Oregon 97487	Council President
MARION M. ESTY P.O. Box 969, Veneta, Oregon 97487	Council Member
T.J. BROOKER (Appointed August 13, 2012) PO Box 655, Veneta, Oregon 97487	Council Member
THOMAS COTTER 88098 Huston Road, Veneta, Oregon 97487	Council Member
BRITTANY BOOTHE 24781 Dunham Avenue, Veneta, Oregon 97487	Council Member

## CITY ADMINISTRATION

R. RIC INGHAM	City Administrator
SHAUNA HARTZ	Finance Director

**CITY OF VENETA**

**AUDIT REPORT**

**JUNE 30, 2012**

---

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b>INDEPENDENT AUDITOR’S REPORT . . . . .</b>	<b>1</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS . . . . .</b>	<b>2 - 10</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b><u>Government-Wide Financial Statements:</u></b>	
Statement of Net Assets . . . . .	11
Statement of Activities . . . . .	12
<b><u>Governmental Fund Financial Statements:</u></b>	
Balance Sheet - Government Funds . . . . .	13
Reconciliation of the Balance Sheet to the Statement of Net Assets- Government Funds . . . . .	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds . . . . .	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds to the Statement of Activities . . . . .	16
<b><u>Proprietary Fund Financial Statements:</u></b>	
Statement of Net Assets - Proprietary Funds . . . . .	17
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds . . . . .	18
Statement of Cash Flows - Proprietary Funds . . . . .	19
<b><u>Notes to the Basic Financial Statements</u> . . . . .</b>	<b>20 - 38</b>
<b><u>REQUIRED SUPPLEMENTARY INFORMATION:</u></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
General Fund . . . . .	39
Law Enforcement Fund . . . . .	40
Street Fund . . . . .	41
Reserve fund – Governmental . . . . .	42
Local Improvement Fund . . . . .	43
Urban Renewal General Fund . . . . .	44

**CITY OF VENETA**

**AUDIT REPORT**

**JUNE 30, 2012**

---

**TABLE OF CONTENTS (CONT.)**

**PAGE**

**OTHER SUPPLEMENTARY INFORMATION:**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

**Proprietary Funds:**

Water Fund (A Major Fund) . . . . .	45
Sewer Fund (A Major Fund) . . . . .	46
Capital Construction – Enterprise Fund (A Major Fund). . . . .	47
Capital Projects Fund – Pipeline Construction (A Major Fund) . . . . .	48
Reserve – Enterprise Fund (A Non-Major Fund) . . . . .	49

**Combining and Individual Fund Financial Statements:**

**Non-Major Governmental Funds:**

Combining Balance Sheet - All Non-Major Governmental Funds - By Fund Type . . . . .	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - All Non-Major Governmental Funds - By Fund Type . . . . .	51

**Non-Major Special Revenue Funds:**

Combining Balance Sheet. . . . .	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	53
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Park and Recreation Fund . . . . .	54
Public Works Equipment Fund . . . . .	55
“911” Agency Fund . . . . .	56
Business Assistance Grant Loan Fund . . . . .	57
Zumwalt Campground Fund . . . . .	58
Planning Fund . . . . .	59
Grants Fund . . . . .	60
Storm Water Drainage Fund . . . . .	61
Inverse Condemnation Fund . . . . .	62

**Debt Service Funds (Major and Non-Major Funds):**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Debt Service Fund (A Non-Major Fund) . . . . .	63
Urban Renewal Debt Service Fund (A Major Fund) . . . . .	64

**CITY OF VENETA**

**AUDIT REPORT**

**JUNE 30, 2012**

---

**TABLE OF CONTENTS (CONT.)**

**PAGE**

**Capital Projects Funds (Major and Non-Major Funds):**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Capital Construction - Governmental Fund (A Non-Major Fund) . . . . .	65
Capital Projects Fund – New Pool (A Non-Major Fund) . . . . .	66
Capital Projects Fund – W. Broadway Development Fund (A Major Fund).	67

**Additional Supporting Schedules:**

Schedule of Property Taxes . . . . .	68 - 69
Schedule of Long Term Debt Transactions . . . . .	70 - 71
Schedule of Future Requirements for Retirement of Long Term Debt . . . . .	72 - 73

**ACCOMPANYING INFORMATION:**

Independent Auditor’s Comments and Disclosures Required by State Regulations . . . . .	74 - 76
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards . . . . .	77



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Veneta, Oregon

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Veneta, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Veneta, Oregon's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Veneta, Oregon, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 15, 2012, on my consideration of the City of Veneta, Oregon's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 10 and 39 through 44 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. I have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Veneta, Oregon's financial statements as a whole. The combining and individual non-major and major fund financial statements and additional supporting schedules included in the Other Supplementary Information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major and major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The combining and individual non-major and major fund financial statements, and additional supporting schedules included in the Other Supplementary Information section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Steve Tuchscherer, CPA  
November 15, 2012

**MANAGEMENT'S DISCUSSION**  
**AND ANALYSIS**

## City of Veneta

### **Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2012 Unaudited**

---

The management staff of the City of Veneta, Oregon has prepared this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements which follow this discussion and analysis.

#### **Financial Highlights**

- ❖ The assets of the City of Veneta exceeded liabilities at the close of the fiscal year by \$39,500,042 (net assets), an increase of \$1,682,533 from June 30, 2011. Of this amount (\$8,542,846) (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ Net assets increased for governmental activities by \$928,951 or 4.99 percent from June 30, 2011, primarily the result of the assets increasing more than the liabilities increased. Net assets also increased for business-type activities by \$753,582, an increase of 3.92 percent from June 30, 2011, again both assets and liabilities increased; however, the assets increased a greater amount.
- ❖ As of the close of FY2012, the City of Veneta's governmental funds reported combined ending fund balances of \$5,832,660, an increase of \$105,289 from the prior year. Approximately 12.66 percent of the total amount, \$738,704, is available for spending at the City Council's discretion (unassigned fund balance).
- ❖ Total governmental activities debt decreased by \$435,074 or 9.90 percent during the FY 2012. Total business-type activities debt increased. The required payments of \$106,422 were made; however, the City acquired a new Note Payable to purchase a home and land. The land will likely be used for effluent application and the home is being rented.

#### **Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City of Veneta's basic financial statements. The City'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 notes are followed by two other components containing required and other supplementary information.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Veneta's finances, in a manner similar to a private-sector business.

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

The "Statement of Activities" presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Examples of such items include earned, but uncollected, property taxes and earned, but unused compensated absences.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, franchise fees and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Veneta include general government, community development, public safety, streets and drainage, economic development, parks, and recreation. The business-type activities of the City of Veneta include water and sewer operations.

The government-wide financial statements include not only the City of Veneta itself (known as the primary government), but also a legally separate Urban Renewal Agency for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself

## City of Veneta

### **Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2012 Unaudited**

---

Further explanation of these statements can be found in the NOTES TO THE BASIC FINANCIAL STATEMENTS, Section 1. (B) and 1. (C). The statements themselves appear on page 11-12 of this report.

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

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

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

The City of Veneta maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, law enforcement, street, reserve-governmental, local improvements, and the Capital projects-W Broadway development funds, all of which are considered to be major funds. Data from the other eleven governmental funds is combined into a single aggregate presentation. Fund data for each of these non-major governmental funds is disclosed as supplementary information in the form of statements and schedules.

The City of Veneta adopts an annual appropriated budget for its general fund, along with all other funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

**Proprietary funds.** There are two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City of Veneta uses enterprise funds to account for its Water and Sewer operations. *Internal Service* funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Veneta does not have any internal service funds at this time.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater funds, all of which are considered to be major funds of the City of Veneta.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

**Fiduciary Fund.** The City has no fiduciary funds.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the financial statements. The notes to the basic financial statements can be found on pages 20-38.

# City of Veneta

## Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2012 Unaudited

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds; budgetary comparisons for non-major funds; and other financial schedules are presented immediately following the required supplementary information. Combining and individual fund statement and schedules can be found on pages 45-73.

### Government-Wide Financial Analysis

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$39,500,042 at the close of fiscal year 2012.

By far the largest portion of the City of Veneta's net assets (67.62 percent) reflects its investment in capital assets (i.e. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt much be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

<b>Summary of Net Assets</b>								
	Governmental Activities		Business-type Activities		Total		Variance	Variance
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	Dollars	%
Cash and investments	\$ 6,376,952	\$ 5,915,844	\$ 6,502,544	\$ 6,250,464	\$ 12,879,496	\$ 12,166,308	\$ 713,188	0.0586
Other assets	481,508	560,568	621,872	612,760	1,103,380	1,173,328	(69,948)	-0.0596
Capital assets	17,382,748	17,119,594	17,439,292	16,679,518	34,822,040	33,799,112	1,022,928	0.0303
Total Assets	24,241,208	23,596,006	24,563,708	23,542,742	48,804,916	47,138,748	1,666,168	0.0353
Current liabilities	(1,124,563)	(997,174)	(545,903)	(518,110)	(1,670,466)	(1,515,284)	(155,182)	0.1024
Non-current liabilities	(3,588,674)	(3,999,812)	(4,045,734)	(3,806,142)	(7,634,408)	(7,805,954)	171,546	-0.0220
Total Liabilities	(4,713,237)	(4,996,986)	(4,591,637)	(4,324,252)	(9,304,874)	(9,321,238)	16,364	-0.0018
Net Assets:								
Invested in capital assets net of related debt	13,427,386	12,729,158	13,286,386	12,782,780	26,713,772	25,511,938	1,201,834	0.0471
Restricted for:								
Debt Service	571,243	606,556	231,298	231,298	802,541	837,854	(35,313)	-0.0421
Capital Projects	381,184	616,835	3,059,699	3,279,293	3,440,883	3,896,128	(455,245)	-0.1168
Unrestricted net assets	5,148,158	4,646,471	3,394,688	2,925,119	8,542,846	7,571,590	971,256	0.1283
<b>Total Net Assets</b>	<b>\$ 19,527,971</b>	<b>\$ 18,599,020</b>	<b>\$ 19,972,071</b>	<b>\$ 19,218,490</b>	<b>\$ 39,500,042</b>	<b>\$ 37,817,510</b>	<b>\$ 1,682,532</b>	<b>4.45%</b>

An additional portion of the City of Veneta's net assets (10.74 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8,542,846) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Veneta is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. There was a decrease of \$219,594 in restricted net assets reported in connection with the City of Veneta' business-type activities. The decrease can primarily be attributed to money spent on the UV Expansion Project.

## City of Veneta

### Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2012 Unaudited

During the current fiscal year the government's net assets increased by \$1,682,533. About one third of this represents contributed capital (park and ride). The remainder of this reflects a reduction of interest expense on the City's debt, periodic rate increases, and continued efforts to reduce expenses of operating the water and sewer systems.

**Governmental activities.** Governmental activities increased the City of Veneta's net assets by \$928,951 thereby accounting for 55.21 percent of the total growth in net assets of the City of Veneta. The increase is directly tied to the contribution the City received in capital infrastructure (park and ride facilities on the corner of W. Broadway and Territorial Road). Other noteworthy items appear immediately following the "Changes in Net Assets" chart.

<b>Changes in Net Assets</b>								
	Governmental Activities		Business-type Activities		Total		Variance	Variance
<u>Revenues</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	Dollars	%
<b>Program Revenues:</b>								
Capital grants & contributions	\$ 36,937	\$ 8,902	\$ -	\$ -	\$ 36,937	\$ 8,902	\$ 28,035	3.1490
Operating grants	15,338	167,165	-	-	15,338	167,165	(151,827)	-0.9080
Charges for services	316,661	583,292	1,710,616	1,705,358	2,027,277	2,288,650	(261,373)	-0.1140
<b>Total Program Revenues</b>	<b>368,936</b>	<b>759,359</b>	<b>1,710,616</b>	<b>1,705,358</b>	<b>2,079,552</b>	<b>2,464,717</b>	<b>(385,165)</b>	<b>-0.1560</b>
<b>General Revenues:</b>								
Property taxes, franchise and public service tax	2,713,407	2,366,334	-	-	2,713,407	2,366,334	347,073	0.1470
Interest & invest earnings	27,324	29,930	34,246	29,855	61,570	59,785	1,785	0.0300
Interfund Transfers	(540,000)	132,500	540,000	(132,500)	-	-	-	0.0000
Other	307,372	331,252	-	-	307,372	331,252	(23,880)	-0.0720
<b>Total General Revenues</b>	<b>2,508,103</b>	<b>2,860,016</b>	<b>574,246</b>	<b>(102,645)</b>	<b>3,082,349</b>	<b>2,757,371</b>	<b>324,978</b>	<b>0.1180</b>
<b>Total Revenues</b>	<b>2,877,039</b>	<b>3,619,375</b>	<b>2,284,862</b>	<b>1,602,713</b>	<b>5,161,901</b>	<b>5,222,088</b>	<b>(60,187)</b>	<b>-0.0120</b>
<b>Expenses:</b>								
General government	924,543	831,829	-	-	924,543	831,829	92,714	0.1110
Public safety	748,122	730,809	-	-	748,122	730,809	17,313	0.0240
Highways & streets	205,759	196,726	-	-	205,759	196,726	9,033	0.0460
Culture & recreation	265,253	243,318	-	-	265,253	243,318	21,935	0.0900
Interest on debt	288,167	309,364	177,558	174,729	465,725	484,093	(18,368)	-0.0380
Water	-	-	634,375	669,397	634,375	669,397	(35,022)	-0.0520
Sewer	-	-	717,130	756,951	717,130	756,951	(39,821)	-0.0530
<b>Total Expenses</b>	<b>2,431,844</b>	<b>2,312,046</b>	<b>1,529,063</b>	<b>1,601,077</b>	<b>3,960,907</b>	<b>3,913,123</b>	<b>47,784</b>	<b>0.0120</b>

# City of Veneta

## Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2012 Unaudited

Changes in Net Assets (Continued)								
	Governmental Activities		Business-type Activities		Total		Variance	Variance
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	Dollars	%
<b>Net Assets:</b>								
Change in net assets before special items	445,195	1,307,329	755,799	1,636	1,200,994	1,308,965	(107,971)	-0.0820
Gain/Loss on Disposition of Assets	(3,072)	-	(2,217)	-	(5,289)	-	(5,289)	0.0000
Equity transfer	-	(173,458)	-	173,458	-	-	-	0.0000
Contributed capital	486,828	932,400	-	-	486,828	932,400	(445,572)	-0.4780
<b>Change in net assets</b>	<b>928,951</b>	<b>2,066,271</b>	<b>753,582</b>	<b>175,094</b>	<b>1,682,533</b>	<b>2,241,365</b>	<b>(558,832)</b>	<b>-0.2490</b>
Prior period asset addition	-	301,742	-	-	-	301,742	(301,742)	-1.0000
<b>Net Assets Beginning</b>	<b>18,599,020</b>	<b>16,231,007</b>	<b>19,218,489</b>	<b>19,043,395</b>	<b>37,817,509</b>	<b>35,274,402</b>	<b>2,543,107</b>	<b>0.0720</b>
<b>Net Assets Ending</b>	<b>\$ 19,527,971</b>	<b>\$ 18,599,020</b>	<b>\$ 19,972,071</b>	<b>\$ 19,218,489</b>	<b>\$ 39,500,042</b>	<b>\$37,817,509</b>	<b>\$1,682,533</b>	<b>0.0440</b>

- ❖ Property taxes collections increased \$40,814.25 from fiscal year 2010-11.
- ❖ Grant revenue increased \$28,035 because money spent on building the Fern Ridge Service Center was eligible under the City's Community Development Block Grant of \$1,500,000.
- ❖ Overall the total revenue decreased from last year largely the result of a decrease in building related activity and in fiscal year 2010-11 the City received a one-time insurance payment for damages to the old swimming pool.

Governmental operating expenditures increased in an amount that closely paralleled inflation and growth in service demand. The one noteworthy exception was the City of Veneta's debt service function. The City made an extra principal payment of \$60,000 on one of its general obligations bonds.

**Business-type activities:** Business-type activities increased the City of Veneta's net assets by \$753,582, accounting for 44.78 percent of the total growth in the City's net assets. Key elements of this increase are as follows.

- ❖ Water and sewer rates were increased 6% and 3% during the fiscal year which increased charges for services. Operating revenues in the Water and Sewer funds totaled \$1,652,834 compared to last year's amount of \$1,575,039.
- ❖ The City received a transfer from the Urban Renewal Agency exclusively for business-type activities

Operating expenses in the Water fund, as defined in the Statement of Changes in Net Assets, decreased slightly (5 percent) compared to the previous fiscal year.

The Sewer fund experienced a decrease of about 5% in operating expenses as well. The decreases this year, similar to last year, for the most part, reflect continued efforts to be frugal with purchases and a break in the scope of operational type project expenditures. For example, in the Water Fund money was spent on a RARE Intern and a Water Rate/SDC

## City of Veneta

### **Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2012 Unaudited**

---

Analysis in fiscal year 2010-2011, but did not have either of these expenditures in fiscal year 2011-2012. In the Sewer Fund a large maintenance project was done on Territorial Road in fiscal year 2010-2011 which did not carry over to fiscal year 2011-2012.

#### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Veneta uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,832,660, an increase of \$105,289 in comparison with the prior year. Approximately 12.66 percent of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed or assigned to pay debt service (\$571,243); future capital projects (\$691,098), and for other identified purposes (\$3,831,615).

The general fund is the chief operating fund of the City of Veneta. At the end of the current fiscal year the total fund balance reached \$738,704. The entire amount is unreserved. As a measure of the general fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Unreserved fund balance exceeds the total general fund expenditures, for the current year, by \$271,648.

During the current year the City's general fund balance increased by \$53,936. Key factors in this growth are as follows:

- ❖ An increase of \$35,462 in the amount of property taxes and assessments received.
- ❖ The City received \$10,649 more in franchise revenue than it did in the prior year.
- ❖ Total operating expenditures decreased by \$11,818.

In the Law Enforcement Fund, the fund balance increased by \$8,524. The percentage of property taxes allocated to this fund was reduced. The fund balance is ample for covering expenditures well into the next fiscal year.

In the Street Fund, the ending fund balance was \$204,213 higher than the prior year. Both the franchise fee revenue and the intergovernmental revenue increased by \$18,480 while expenses only increased by \$8,302. The City is allowing the fund balance to grow in anticipation of tackling future road improvements.

The Reserve-Governmental Fund ending fund balance continues to grow. The fund only receives interest revenue and did not incur any expenses during the year.

The Local Improvement Fund ending fund balance increased by \$15,744. This growth occurred because property owners are continuing to pay their assessments in an amount that exceeds the City's annual debt payments on the note issued to pay for the improvements.

The Capital Projects-W Broadway Fund ended the year with a fund balance of \$63,188 which was \$36,155 higher than the beginning fund balance. The increase can be attributed to earning grant money and to donations made for use in building and furnishing the Fern Ridge Service Center.

## City of Veneta

### **Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2012 Unaudited**

---

**Proprietary Funds.** The City of Veneta's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Activities in the proprietary funds increased the City's net assets by \$753,582. Key elements of this increase are as follows:

- ❖ Water and sewer rate were increased twice during the current year.
- ❖ The Urban Renewal Agency transferred \$600,000 to pay for the portion of the pipeline construction that is in the agency's area.
- ❖ As stated earlier, the City did not have any major maintenance projects and efforts to be frugal have paid off.

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$3,394,688. The total restricted net assets decreased by \$219,594. Other factors concerning the finances of the funds have already been addressed in the discussion of the City of Veneta's business-type activities.

#### **General Fund Budgetary Highlights**

The adopted budget in the General Fund did not change during the fiscal year. Significant variances between budget and actual activity are summarized as follows:

- ❖ Revenues were slightly higher than expected from franchise fees, court fines, interest income, liquor taxes, and property taxes.
- ❖ Revenues were lower than expected from electrical permits and system development administrative fees.
- ❖ Miscellaneous income was significantly higher than budgeted because the City received \$250 as a wellness grant and nearly \$4,000 as a reimbursement for installing a generator from City County Insurance Services. Additionally, money donated for the City's 50<sup>th</sup> birthday celebration was classified as miscellaneous.
- ❖ The grant from Lane County for Rural Tourism appears higher than normal because much of the 2011 grant was not spent until fiscal year 2011-12 (the 2011 grant appeared as deferred revenue in 2011).
- ❖ Cautious spending and postponement of building improvements contributed to the overall expenditures being 78.65 percent of the amount budgeted.

#### **Capital Asset and Debt Administration**

**Capital Assets:** The City of Veneta's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$ 34,822,039 (net of depreciation). This investment in capital assets includes land, buildings, utility systems and improvements, machinery, equipment, park and recreation facilities, and roads. The total increase in the City's investment in capital assets for the current fiscal year was 3.03 percent (a 1.53 percent increase for governmental activities and a 4.55 percent increase for business-type activities).

Major capital asset events during the fiscal year 2011-12 were as follows:

- ❖ Infrastructure improvements on W. Broadway, including the Park and Ride facility, were completed during the year for a total of \$486,828.
- ❖ Expansion of the UV component of the sewer plant was completed at a total cost of \$413,489.
- ❖ The City purchased 40 acres with a house and then sold 20 of the acres to the Oregon Country Fair Organization. The net investment for the City was \$343,592.
- ❖ Equipment and furnishing purchases were made for a riding lawn mower and a bank of lockers for the swimming pool. The purchase totals were \$18,864 and \$5,075, respectively.
- ❖ A total of \$501,792 was spent on pre-construction services on the water pipeline project. The construction is scheduled to start in the fall of 2012 and will continue for at least a year.

## City of Veneta

### Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2012 Unaudited

<b>Capital Assets</b>							
(Net of Depreciation)							
	Governmental Activities		Business-type Activities		Total		Variance
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	%
	\$	\$	\$	\$	\$		
Land	2,681,601	2,560,351	756,653	522,009	3,438,254	\$ 3,082,360	11.55%
Construction in progress	70,148	-	749,667	295,655	819,815	295,655	177.29%
Buildings & improvements	3,453,784	3,444,303	-	-	3,453,784	3,444,303	0.28%
Utility systems	-	-	20,246,308	19,693,873	20,246,308	19,693,873	2.81%
Machinery & equipment	142,933	127,141	-	-	142,933	127,141	12.42%
Vehicles & mobile equipment	124,513	124,513	388,407	388,407	512,920	512,920	0.00%
Infrastructure	11,850,736	11,485,158			11,850,736	11,485,158	3.18%
Intangibles	46,494	46,494	-	-	46,494	46,494	0.00%
Other	681,531	681,531	-	-	681,531	681,531	0.00%
<b>Total Capital Assets</b>	19,051,740	18,469,491	22,141,035	20,899,944	41,192,775	39,369,435	4.63%
<b>Total Depreciation</b>	(1,668,992)	(1,349,897)	(4,701,744)	(4,220,426)	(6,370,736)	(5,570,323)	14.37%
<b>Net Capital Assets</b>	<b>\$ 17,382,748</b>	<b>\$ 17,119,594</b>	<b>\$ 17,439,291</b>	<b>\$ 16,679,518</b>	<b>\$ 34,822,039</b>	<b>\$ 33,799,112</b>	<b>3.03%</b>

Additional information on the City of Veneta's capital assets can be found in Note 3 on page 29.

**Long-Term Debt.** At the end of the current fiscal year, the City of Veneta had total debt outstanding of \$8,108,267. Of this amount, \$3,079,646 is general obligation bonds and \$1,323,683 comprises debt backed by the full faith and credit of the government. The remainder of the City's \$3,704,938 debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

<b>Outstanding Debt*</b>							
(General Obligation and Revenue Bonds)							
	Governmental Activities		Business-type Activities		Total		Variance
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	%
Long Term Obligations:							
Notes payable	\$ 875,716	\$ 1,006,630	\$ 447,967	\$ 130,004	\$ 1,323,683	\$ 1,136,634	16.46%
Bonds payable	3,079,646	3,383,806	3,704,938	3,766,733	6,784,584	7,150,539	-5.12%
<b>Total Obligations</b>	<b>\$ 3,955,362</b>	<b>\$ 4,390,436</b>	<b>\$ 4,152,905</b>	<b>\$ 3,896,737</b>	<b>\$ 8,108,267</b>	<b>\$ 8,287,173</b>	<b>-2.16%</b>

\*Information presented in this chart and section includes the long-term debt of the Veneta Urban Renewal Agency. Additional information on the Agency's obligations can be found in the Agency's Annual Report dated June 30, 2012.

The City of Veneta's total debt decreased by \$178,906 (2.16 percent) during the fiscal year. The \$541,496 made in principle payments was offset by a \$362,590 note issued for the purchase of a house and land. A portion of the land will be used for effluent applications associated with the city's sewer plant.

## City of Veneta

### **Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2012 Unaudited**

---

During the current fiscal year, the City made an extra principle payment of \$60,000 on the General Obligation Water Bond issued in 1981.

State statues limit the amount of general obligation debt a government entity may issue to 3 percent of the total real market value of the taxable properties within its boundaries. The current debt limitation for the City of Veneta is \$6,507,357. The City's current amount of general obligation debt is far below this limit.

The city did not issue any revenue bonds during the current fiscal year.

Additional information on the City's long-term debt can be found in Note 4 on pages 30-33 of this report.

#### **Economic Factors and Next Year's Budgets and Rates**

Property tax revenue has remained fairly stable. Oregon's property tax system, where assessed values for tax purposes are not tied to real market values, has allowed revenue to remain stable even as real market value had declined.

Rates for sewer and storm-water are projected to be increased slightly in an effort to keep up with increased costs of services.

Rates for water are projected to be increased substantially over the next few years. The need to meet future demands for water with non-well sources is driving the increases. See Water Pipeline Construction below for more information.

Single family residential construction has nearly stopped and commercial construction has stopped in Veneta. The City will continue to explore opportunities to stimulate and/or support economic development. Through the Veneta Urban Renewal Agency, the City has completed the infrastructure development in the downtown area.

#### **Major Projects Underway:**

**Water Pipeline Construction.** Providing adequate water resources for our community now and in the future remains a major challenge and priority for the City of Veneta. Construction of a water pipeline to hook up to the Eugene Water and Electric Board's (EWEB) system is well underway. At this time the plan is to purchase one-third of the City's water needs from EWEB. The City's local wells will continue to provide the rest. The estimated cost of the project is \$12 million. The majority of the funding, ultimately, will be provided by the U. S. Department of Agriculture Rural Development (RD); however, during construction the City is required to obtain interim financing. The City will be making interest only payments on the interim financing secured. A water rate analysis is in process, the objective of which, is to hold rates as low as possible while ensuring the City can meet its' future large debt obligations with RD.

**Fern Ridge Service Center.** Construction of the much anticipated Fern Ridge Service Center (FRSC) on W. Broadway, between Territorial Hwy and 2<sup>nd</sup> Street began in December 2012. The FRSC will be a multi-faceted building housing numerous local assistance programs.

All of these factors were considered when preparing the budget for the 2012-2013 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$738,904. The City of Veneta has appropriated \$122,783 of this amount for spending in the 2013 fiscal year budget. The planned reduction of fund balance continues the City's conservative methods for budgeting. In reality, due to careful monitoring, the fund balance has remained fairly stable.

#### **Requests for Information**

This financial report is designed to provide a general overview of the city of Veneta's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Shauna Hartz, Finance Director, City of Veneta, P.O. Box 458 Veneta, Oregon 97487

**BASIC FINANCIAL**  
**STATEMENTS**

**Government – Wide**  
**Financial Statements**

**CITY OF VENETA**  
**STATEMENT OF NET ASSETS**

June 30, 2012

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>ASSETS:</u></b>			
Current Assets:			
Cash and Investments	\$ 6,376,952	\$ 6,502,544	\$ 12,879,496
Receivables	429,023	360,323	789,346
Inventory	29,345	30,251	59,596
Prepaid Expenses	23,140	-	23,140
Total Current Assets	6,858,460	6,893,118	13,751,578
Restricted Assets:			
Sinking Funds for Debt Service	-	231,298	231,298
Total Restricted Assets	-	231,298	231,298
Capital Assets:			
Land	2,681,601	756,653	3,438,254
Buildings	3,453,784	-	3,453,784
Utility Systems	-	20,995,975	20,995,975
Equipment	948,977	388,408	1,337,385
Intangibles	46,494	-	46,494
Infrastructure	11,850,736	-	11,850,736
Less: Accumulated Depreciation	(1,668,992)	(4,701,744)	(6,370,736)
Total Capital Assets, Net of Depreciation	17,382,748	17,439,292	34,822,040
<b>Total Assets</b>	<b>\$ 24,241,208</b>	<b>\$ 24,563,708</b>	<b>\$ 48,804,916</b>
<b><u>LIABILITIES:</u></b>			
Current Liabilities:			
Accounts Payable	\$ 355,741	\$ 127,317	\$ 483,058
Assessments and Surcharges Payable	4,754	-	4,754
Interest Payable	210,047	151,430	361,477
Deposits	61,682	15,153	76,835
Deferred Revenue	94,865	93,220	188,085
OPEB Payable	30,785	51,611	82,396
Current Portion of Long-Term Liabilities:			
Notes Payable	93,308	42,596	135,904
Bonds Payable	273,380	64,576	337,956
Total Current Liabilities	1,124,563	545,903	1,670,466
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Notes Payable	1,351,714	405,371	1,757,085
Bonds Payable	2,236,960	3,640,363	5,877,323
Total Long-Term Liabilities	3,588,674	4,045,734	7,634,408
<b>Total Liabilities</b>	<b>\$ 4,713,237</b>	<b>\$ 4,591,637</b>	<b>\$ 9,304,874</b>
<b><u>NET ASSETS:</u></b>			
Invested in capital assets, net of related debt	\$ 13,427,386	\$ 13,286,386	\$ 26,713,772
Restricted for:			
Debt Service	571,243	231,298	802,541
Capital Projects	381,184	3,059,699	3,440,883
Unrestricted	5,148,158	3,394,688	8,542,846
<b>Total Net Assets</b>	<b>\$ 19,527,971</b>	<b>\$ 19,972,071</b>	<b>\$ 39,500,042</b>

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

**CITY OF VENETA**  
**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2012

	<u>(Expenses)</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>					
General Government	\$ 924,543	\$ 69,643	\$ 10,253	\$ -	\$ (844,647)
Public Safety	748,122	-	5,085	-	(743,037)
Public Works	205,759	145,501	-	-	(60,258)
Culture and Recreation	265,253	101,517	-	36,937	(126,799)
Interest Expense	288,167	-	-	-	(288,167)
<b>Total Governmental Activities</b>	<b>\$2,431,844</b>	<b>\$ 316,661</b>	<b>\$ 15,338</b>	<b>\$ 36,937</b>	<b>\$ (2,062,908)</b>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>					
Water Utilities	\$ 634,375	\$ 684,344	\$ -	\$ -	\$ 49,969
Sewer Utilities	717,130	1,026,272	-	-	309,142
Interest on Long-Term Debt	177,558	-	-	-	(177,558)
<b>Total Business-type Activities</b>	<b>\$1,529,063</b>	<b>\$1,710,616</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 181,553</b>
<b>Total Primary Government</b>	<b>\$3,960,907</b>	<b>\$2,027,277</b>	<b>\$ 15,338</b>	<b>\$ 36,937</b>	<b>\$ (1,881,355)</b>
<b><u>CHANGES IN NET ASSETS:</u></b>					
<b>Net (expense) revenue</b>			<u>\$ (2,062,908)</u>	<u>\$ 181,553</u>	<u>\$ (1,881,355)</u>
<b><u>GENERAL REVENUES:</u></b>					
Local Sources:					
Property Taxes, levied for general purposes			1,182,710	-	1,182,710
Property Taxes, levied for debt service			806,055	-	806,055
Intergovernmental Tax Turnovers			421,590	-	421,590
State Revenue Sharing			38,959	-	38,959
Franchise Taxes			264,093	-	264,093
Interest and Investment Earnings			27,324	34,246	61,570
Other Revenue			307,372	-	307,372
Interfund Transfers			(540,000)	540,000	-
<b>Subtotal - General Revenues</b>			<u>2,508,103</u>	<u>574,246</u>	<u>3,082,349</u>
Change in Net Assets before Special Items			445,195	755,799	1,200,994
Gain/Loss on Disposition of Assets			(3,072)	(2,217)	(5,289)
Contributed Capital			486,828	-	486,828
Change in Net Assets			928,951	753,582	1,682,533
Net Assets, July 1, 2011			<u>18,599,020</u>	<u>19,218,489</u>	<u>37,817,509</u>
<b>Net Assets, June 30, 2012</b>			<b><u>\$ 19,527,971</u></b>	<b><u>\$ 19,972,071</u></b>	<b><u>\$ 39,500,042</u></b>

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

**Governmental Fund**  
**Financial Statements**

**CITY OF VENETA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	Component Unit									Total Governmental Funds
	General Fund	Law Enforcement Fund	Street Fund	Reserve - Governmental Fund	Local Improvement Fund	Capital Projects - W. Broadway Development Fund	Urban Renewal Fund	Urban Renewal Debt Service Fund	Other Governmental Funds	
<b>ASSETS:</b>										
Cash and Investments	\$ 741,354	\$ 664,620	\$ 1,461,342	\$ 713,517	\$ 139,146	\$ 338,535	\$ 492,796	\$ 273,978	\$ 1,551,664	\$ 6,376,952
Receivables:										
Accounts	2,316	15,752	-	-	-	10,563	-	-	11,637	40,268
Loans	-	-	-	-	-	-	-	-	15,000	15,000
Assessments	-	-	-	-	65,207	-	-	-	-	65,207
Property Tax	16,240	53,545	-	-	-	-	-	50,195	19,397	139,377
Franchise Taxes	20,740	-	20,740	-	-	-	-	-	-	41,480
Liens	6,571	-	3,360	-	-	-	-	-	51,449	61,380
Other	11,115	-	33,546	-	-	-	-	-	21,157	65,818
Patronage Capital	493	-	-	-	-	-	-	-	-	493
Prepaid Expenses	-	-	-	-	-	-	-	-	23,140	23,140
Inventory - Land	29,345	-	-	-	-	-	-	-	-	29,345
<b>Total Assets</b>	<b>\$ 828,174</b>	<b>\$ 733,917</b>	<b>\$ 1,518,988</b>	<b>\$ 713,517</b>	<b>\$ 204,353</b>	<b>\$ 349,098</b>	<b>\$ 492,796</b>	<b>\$ 324,173</b>	<b>\$ 1,693,444</b>	<b>\$ 6,858,460</b>
<b>LIABILITIES AND FUND BALANCES:</b>										
Liabilities:										
Accounts Payable	\$ 12,788	\$ 180,761	\$ 1,870	\$ -	\$ -	\$ 35,584	\$ 111,612	\$ -	\$ 13,126	\$ 355,741
Assessments and Surcharges Payable	4,754	-	-	-	-	-	-	-	-	4,754
Deposits	-	-	61,682	-	-	-	-	-	-	61,682
Deferred Revenue	71,928	52,257	18,161	-	65,207	250,326	-	50,195	95,549	603,623
<b>Total Liabilities</b>	<b>89,470</b>	<b>233,018</b>	<b>81,713</b>	<b>-</b>	<b>65,207</b>	<b>285,910</b>	<b>111,612</b>	<b>50,195</b>	<b>108,675</b>	<b>1,025,800</b>
Fund Balances:										
Restricted for:										
Debt Service	-	-	-	-	139,146	-	-	273,978	158,119	571,243
Urban Renewal Projects	-	-	-	-	-	-	381,184	-	-	381,184
Committed for:										
Street and Road Projects	-	-	1,437,275	-	-	-	-	-	-	1,437,275
Public Safety	-	500,899	-	-	-	-	-	-	-	500,899
Parks and Recreation Programs	-	-	-	-	-	-	-	-	258,436	258,436
Community Development Projects	-	-	-	713,517	-	-	-	-	540,304	1,253,821
Capital Projects	-	-	-	-	-	63,188	-	-	627,910	691,098
Unassigned	738,704	-	-	-	-	-	-	-	-	738,704
<b>Total Fund Balances</b>	<b>738,704</b>	<b>500,899</b>	<b>1,437,275</b>	<b>713,517</b>	<b>139,146</b>	<b>63,188</b>	<b>381,184</b>	<b>273,978</b>	<b>1,584,769</b>	<b>5,832,660</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 828,174</b>	<b>\$ 733,917</b>	<b>\$ 1,518,988</b>	<b>\$ 713,517</b>	<b>\$ 204,353</b>	<b>\$ 349,098</b>	<b>\$ 492,796</b>	<b>\$ 324,173</b>	<b>\$ 1,693,444</b>	<b>\$ 6,858,460</b>

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

**CITY OF VENETA**

**RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2012**

---

**Total Fund Balances - Governmental Funds** \$ 5,832,660

**Amounts reported for governmental activities in the Statement of Net Assets are different because:**

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

The cost of the assets is -	\$19,051,740	
The accumulated depreciation is -	<u>(1,668,992)</u>	
Net Value of Assets		17,382,748

Certain receivables that will not be available to pay for current-period expenditures are deferred in the governmental funds:

Property Taxes	96,881	
Franchises	29,603	
Other Revenues	<u>382,274</u>	
		508,758

Interest Payable is not recorded in the governmental funds (210,047)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. (3,986,148)

**Net Assets of Governmental Activities** **\$ 19,527,971**

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

**CITY OF VENETA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2012

	Component Unit									
	General Fund	Law Enforcement Fund	Street Fund	Reserve-Governmental Fund	Local Improvement Fund	Capital Projects - W. Broadway Development Fund	Urban Renewal General Fund	Urban Renewal Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>										
Taxes and Assessments	\$ 199,602	\$ 664,012	\$ -	\$ -	\$ 34,185	\$ -	\$ -	\$ 647,647	\$ 513,717	\$2,059,163
Intergovernmental	75,378	-	323,784	-	-	-	-	-	61,387	460,549
Franchise Taxes	101,820	61,591	101,820	-	-	-	-	-	-	265,231
Licenses & Permits	43,603	-	-	-	-	-	-	-	-	43,603
Charges for Service	-	-	420	-	-	-	-	-	155,406	155,826
Fines and Forfeitures	26,040	-	-	-	-	-	-	-	-	26,040
Investment Revenue	3,581	3,530	6,331	3,633	630	228	347	393	8,651	27,324
Grants & Donations	10,253	5,085	-	-	-	35,237	-	-	1,700	52,275
Other Revenue	47,508	-	455	-	-	71,500	-	-	7,500	126,963
<b>Total Revenues</b>	<b>507,785</b>	<b>734,218</b>	<b>432,810</b>	<b>3,633</b>	<b>34,815</b>	<b>106,965</b>	<b>347</b>	<b>648,040</b>	<b>748,361</b>	<b>3,216,974</b>
<b>EXPENDITURES:</b>										
Current Operating:										
General Government	417,056	-	-	-	-	-	23,791	-	155,588	596,435
Public Safety	-	725,694	-	-	-	-	-	-	22,428	748,122
Highway and Streets	-	-	205,759	-	-	-	-	-	-	205,759
Culture and Recreation	-	-	-	-	-	-	-	-	265,253	265,253
Debt Service:										
Principal	-	-	16,868	-	7,281	-	-	565,000	245,925	835,074
Interest	-	-	970	-	11,790	-	-	116,381	92,546	221,687
Capital Outlay	-	-	-	-	-	70,810	-	-	28,345	99,155
<b>Total Expenditures</b>	<b>417,056</b>	<b>725,694</b>	<b>223,597</b>	<b>-</b>	<b>19,071</b>	<b>70,810</b>	<b>23,791</b>	<b>681,381</b>	<b>810,085</b>	<b>2,971,485</b>
Excess (Deficiency) of Revenues										
Over Expenditures	90,729	8,524	209,213	3,633	15,744	36,155	(23,444)	(33,341)	(61,724)	245,489
<b>OTHER FINANCING SOURCES (USES):</b>										
Interfund Transfers In	13,207	-	-	-	-	-	-	-	235,000	248,207
Interfund Transfers (Out)	(50,000)	-	(5,000)	-	-	-	(612,207)	-	(121,000)	(788,207)
Loan Proceeds In	-	-	-	-	-	-	400,000	-	-	400,000
<b>Total Other Financing Sources (Uses)</b>	<b>(36,793)</b>	<b>-</b>	<b>(5,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(212,207)</b>	<b>-</b>	<b>114,000</b>	<b>(140,000)</b>
Net Change in Fund Balances	53,936	8,524	204,213	3,633	15,744	36,155	(235,651)	(33,341)	52,276	105,489
<b>FUND BALANCES, July 1, 2011</b>	<b>684,768</b>	<b>492,375</b>	<b>1,233,062</b>	<b>709,884</b>	<b>123,402</b>	<b>27,033</b>	<b>616,835</b>	<b>307,319</b>	<b>1,532,493</b>	<b>5,727,171</b>
<b>FUND BALANCES, June 30, 2012</b>	<b>\$ 738,704</b>	<b>\$ 500,899</b>	<b>\$ 1,437,275</b>	<b>\$ 713,517</b>	<b>\$ 139,146</b>	<b>\$ 63,188</b>	<b>\$ 381,184</b>	<b>\$ 273,978</b>	<b>\$ 1,584,769</b>	<b>\$ 5,832,660</b>

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

**CITY OF VENETA**  
**RECONCILIATION OF THE STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For The Fiscal Year Ended June 30, 2012**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	\$		105,489
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>			
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.			
Expenditures for capitalized assets	\$	98,493	
Less assets acquired with contributed capital		-	
Less current year depreciation		<u>(319,095)</u>	(220,602)
Some revenues will not be collected for several months after the City's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue. However, these funds are recorded as revenue in the Statement of Activities.			
The changes in amounts deferred are as follows:			
Property Taxes		20,794	
Patronage Capital		-	
Franchises		(1,138)	
Other Revenues		<u>180,409</u>	200,065
Expense accruals in the governmental funds do not include all accrued interest expense payable. The change in payables from the prior year to the current year is reconciled here.			
			(66,480)
Additions to certain payroll liabilities are reported as an expense in the Statement of Activities.			
Vacation Payable			-
OPEB Obligation			(8,351)
Long term debt proceeds are included as revenue in governmental funds, but the proceeds increase long-term debt balances in the Statement of Net Assets			
			-
Repayment of long-term debt principal amounts are expenditures in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Assets.			
Retirement of debt principal is as follows:			
General Obligations Bonds and Notes Payable			<u>435,074</u>
Amounts transferred to other funds is not recorded in the fund financial statements.			
			-
Gain/Loss on disposition of assets is not reported on fund financial statements.			
			(3,072)
Amounts contributed to governmental activities from other sources is not recorded in the fund financial statements.			
			486,828
<b>Changes in Net Assets of Governmental Assets</b>			<b><u>\$ 928,951</u></b>

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

**Proprietary Fund**  
**Financial Statements**

**CITY OF VENETA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

June 30, 2012

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Capital Construction - Enterprise Fund</u>	<u>Capital Construction - Pipeline Fund</u>	<u>Reserve - Enterprise Fund</u>	<u>Total Enterprise Funds</u>
<b>ASSETS:</b>						
Current Assets:						
Cash and Investments	\$ 1,142,805	\$ 979,022	\$ 3,022,580	\$ 39,840	\$ 1,318,297	\$ 6,502,544
Receivables	90,458	124,591	45,274	100,000	-	360,323
Inventory	30,251	-	-	-	-	30,251
Total Current Assets	1,263,514	1,103,613	3,067,854	139,840	1,318,297	6,893,118
Restricted Assets:						
Sinking Funds for Debt Service	-	231,298	-	-	-	231,298
Total Restricted Assets	-	231,298	-	-	-	231,298
Capital Assets:						
Land	265,338	491,315	-	-	-	756,653
Utility Plants	10,121,633	10,874,342	-	-	-	20,995,975
Equipment	198,907	189,501	-	-	-	388,408
Less: Accumulated Depreciation	(2,116,759)	(2,584,985)	-	-	-	(4,701,744)
Total Capital Assets, Net of Depreciation	8,469,119	8,970,173	-	-	-	17,439,292
<b>Total Assets</b>	<b>9,732,633</b>	<b>10,305,084</b>	<b>3,067,854</b>	<b>139,840</b>	<b>1,318,297</b>	<b>24,563,708</b>
<b>LIABILITIES:</b>						
Current Liabilities:						
Accounts Payable	8,152	56,489	21,044	41,632	-	127,317
Interest Payable	-	66,111	85,319	-	-	151,430
Deposits	15,153	-	-	-	-	15,153
Deferred Revenue	-	93,220	-	-	-	93,220
OPEB Payable	25,907	25,704	-	-	-	51,611
Current Portion of Long-Term Liabilities:						
Note Payable	-	11,198	31,398	-	-	42,596
Bond Payable	-	64,576	-	-	-	64,576
Total Current Liabilities	49,212	317,298	137,761	41,632	-	545,903
Long-Term Liabilities:						
Noncurrent Portion of Long-Term Liabilities:						
Note Payable	-	90,005	315,366	-	-	405,371
Bond Payable	-	3,640,363	-	-	-	3,640,363
Total Long-Term Liabilities	-	3,730,368	315,366	-	-	4,045,734
<b>Total Liabilities</b>	<b>49,212</b>	<b>4,047,666</b>	<b>453,127</b>	<b>41,632</b>	<b>-</b>	<b>4,591,637</b>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	8,469,119	5,164,031	(346,764)	-	-	13,286,386
Restricted for:						
Capital Projects	-	-	2,961,491	98,208	-	3,059,699
Debt Service	-	231,298	-	-	-	231,298
Unrestricted	1,214,302	862,089	-	-	1,318,297	3,394,688
<b>Total Net Assets</b>	<b>\$ 9,683,421</b>	<b>\$ 6,257,418</b>	<b>\$ 2,614,727</b>	<b>\$ 98,208</b>	<b>\$ 1,318,297</b>	<b>\$ 19,972,071</b>

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

**CITY OF VENETA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For The Fiscal Year Ended June 30, 2012**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Capital Construction - Enterprise Fund</u>	<u>Capital Construction - Pipeline Fund</u>	<u>Reserve - Enterprise Fund</u>	<u>Total Enterprise Funds</u>
<b><u>OPERATING REVENUES:</u></b>						
Charges for Services & Fees	\$ 662,067	\$ 972,324	\$ 57,782	\$ -	\$ -	\$ 1,692,173
Miscellaneous	2,907	15,536	-	-	-	18,443
<b>Total Revenues</b>	<b>664,974</b>	<b>987,860</b>	<b>57,782</b>	<b>-</b>	<b>-</b>	<b>1,710,616</b>
<b><u>OPERATING EXPENSES:</u></b>						
Personal Services	303,022	257,753	-	-	-	560,775
Materials and Supplies	129,936	179,476	-	-	-	309,412
Depreciation Expense	201,417	279,901	-	-	-	481,318
<b>Total Operating Expenses</b>	<b>634,375</b>	<b>717,130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,351,505</b>
<b>Income (Loss) from Operations</b>	<b>30,599</b>	<b>270,730</b>	<b>57,782</b>	<b>-</b>	<b>-</b>	<b>359,111</b>
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>						
Investment Revenue	5,270	6,109	16,152	-	6,715	34,246
Interest Expense	-	(177,558)	-	-	-	(177,558)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>5,270</b>	<b>(171,449)</b>	<b>16,152</b>	<b>-</b>	<b>6,715</b>	<b>(143,312)</b>
<b>Income before Contributions &amp; Transfers</b>	<b>35,869</b>	<b>99,281</b>	<b>73,934</b>	<b>-</b>	<b>6,715</b>	<b>215,799</b>
Gain/(Loss) on Disposition of Capital Assets	-	(2,217)	-	-	-	(2,217)
Transfers From (To) Other Funds	(5,000)	(55,000)	-	600,000	-	540,000
Equity Transfers In (Out)	501,792	678,707	(678,707)	(501,792)	-	-
<b>Changes in Net Assets</b>	<b>532,661</b>	<b>720,771</b>	<b>(604,773)</b>	<b>98,208</b>	<b>6,715</b>	<b>753,582</b>
TOTAL NET ASSETS, June 30, 2011	9,150,760	5,536,647	3,219,500	-	1,311,582	19,218,489
<b>TOTAL NET ASSETS, June 30, 2012</b>	<b>\$ 9,683,421</b>	<b>\$ 6,257,418</b>	<b>\$ 2,614,727</b>	<b>\$ 98,208</b>	<b>\$ 1,318,297</b>	<b>\$ 19,972,071</b>

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

**CITY OF VENETA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For The Fiscal Year Ended June 30, 2012**

	<b>Business-type Activities - Enterprise Funds</b>					
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Capital</b>		<b>Reserve - Enterprise Fund</b>	<b>Total Enterprise Funds</b>
			<b>Construction - Enterprise Fund</b>	<b>Construction - Pipeline Fund</b>		
<b><u>Cash Flows from Operating Activities:</u></b>						
Cash Received from User Charges	\$ 668,348	\$ 988,552	\$ 69,423	\$ -	\$ -	\$ 1,726,323
Cash Payments for Employee Services	(295,458)	(250,207)	-	-	-	(545,665)
Cash Payments to Suppliers	(147,823)	(210,195)	21,044	-	-	(336,974)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>225,067</b>	<b>528,150</b>	<b>90,467</b>	<b>-</b>	<b>-</b>	<b>843,684</b>
<b><u>Cash Flows from Non-capital Financing Activities:</u></b>						
Transfer (To) Other Funds	(5,000)	(55,000)	-	-	-	(60,000)
Transfer from Other Funds	-	-	-	500,000	-	500,000
<b>Net Cash Provided (Used) by Non-capital Financing Activities</b>	<b>(5,000)</b>	<b>(55,000)</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>440,000</b>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>						
Acquisition of Capital Assets	-	(62,810)	(678,707)	(460,160)	-	(1,201,677)
Principal Paid on Long Term Debt	(17,977)	(72,619)	346,764	-	-	256,168
Interest Paid on Long Term Debt	(1,034)	(264,418)	85,319	-	-	(180,133)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(19,011)</b>	<b>(399,847)</b>	<b>(246,624)</b>	<b>(460,160)</b>	<b>-</b>	<b>(1,125,642)</b>
<b><u>Cash Flows from Investing Activities:</u></b>						
Investment Income	5,270	6,109	16,152	-	6,715	34,246
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>5,270</b>	<b>6,109</b>	<b>16,152</b>	<b>-</b>	<b>6,715</b>	<b>34,246</b>
Cash and Cash Equivalents at July 1, 2011	936,479	1,130,908	3,162,585	-	1,311,583	6,541,555
<b>Cash and Cash Equivalents at June 30, 2012</b>	<b>\$ 1,142,805</b>	<b>\$ 1,210,320</b>	<b>\$ 3,022,580</b>	<b>\$ 39,840</b>	<b>\$ 1,318,298</b>	<b>\$ 6,733,843</b>

**Reconciliation of income (loss) from operations**

<b><u>to net cash provided (used) by operating activities:</u></b>						
Income (loss) from operations	\$ 30,599	\$ 270,730	\$ 57,782	\$ -	\$ -	\$ 359,111
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:						
Depreciation	201,417	279,901	-	-	-	481,318
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	3,248	576	11,641	-	-	15,465
Decrease (increase) in inventory	(3,381)	-	-	-	-	(3,381)
Decrease (increase) in prepaid expense	19,011	-	-	-	-	19,011
Increase (decrease) in deposits	126	-	-	-	-	126
Increase (decrease) in payables	(25,953)	(23,173)	21,044	-	-	(28,082)
Increase (decrease) in deferred revenues	-	116	-	-	-	116
Net cash provided (used) by operating activities	<b>\$ 225,067</b>	<b>\$ 528,150</b>	<b>\$ 90,467</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 843,684</b>

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

**Notes to the Basic**  
**Financial Statements**

## CITY OF VENETA

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

---

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Veneta, Oregon (City) is a municipal corporation incorporated under the laws of the State of Oregon. The City is governed by an elected Mayor and an elected four member council. Administration officials are appointed by the council and are responsible for the day-to-day operations of the City.

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP Statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The following is a summary of the more significant policies of the City:

##### **A. Reporting Entity**

In determining the financial reporting entity, the City of Veneta complies with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity." The criteria for including organizations as component units within the City's reporting entity, include whether 1) the organization is legally separate (can sue and be sued in their own name); 2) the City holds the corporate powers of the organization; 3) the City appoints a voting majority of the organization's board; 4) the City is able to impose its will on the organization; 5) the organization has the potential to impose a financial benefit/burden on the City; and 6) there is fiscal dependency by the organization on the City. Based on the aforementioned criteria, the City of Veneta has one component unit, the Urban Renewal Agency.

*Blended Component Unit.* The City has included the financial operations of its Urban Renewal Agency as a blended component unit in the basic financial statements. The Agency is a legally separate entity, which is governed by a board comprised of the members of the City Council as stipulated in the Agency's bylaws. The City Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding for the Agency. The Agency is reported as a special revenue fund and a debt service fund. Complete financial statements for the Agency can be obtained from the Finance Department of the City.

##### **B. Basis of Presentation**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the overall City. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Net assets are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):**

**B. Basis of Presentation (Cont.)**

*Fund Financial Statements:* The fund financial statements provide information about the city's funds including those of a fiduciary nature, if applicable. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

**Governmental Funds** are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City reports the following major governmental funds:

General Fund – The General Fund is the main operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Law Enforcement Fund – The Law Enforcement Fund accounts for property tax revenue and expenditures relating to the City's contracted law enforcement services.

Street Fund – The Street Fund accounts for revenues from Franchise Fees, State Highway Funds, and Gas Taxes, and expenditures related to maintaining the streets within the city.

Reserve- Governmental Fund – The Reserve - Governmental Fund accounts for interfund transfers in and out for various governmental projects.

Local Improvement Fund – The Local Improvement Fund accounts for revenues from local improvement assessments and expenditures related to engineering and construction costs and debt service of improvement loans.

Capital Projects Fund – W. Broadway Development – The Capital Construction - W. Broadway Development Fund accounts for the planning, design, and improvements and expansion of West Broadway Avenue.

Urban Renewal General Fund – The Urban Renewal General Fund is the general operating fund of the Urban Renewal Agency. It is used to account for all the financial resources except those required to be accounted for in another fund. The principal source of revenue is interest on investments. Primary expenditures of the Urban Renewal General Fund were made for the City's downtown redevelopment project.

Urban Renewal Debt Service Fund – The Urban Renewal Debt Service Fund accounts for the payment of principal and interest on urban renewal bonds. Resources are provided from tax increment proceeds and interest earnings.

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**B. Basis of Presentation (Cont.)**

Additionally the City also reports non-major funds within the governmental fund type.

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Non-major special revenue funds include Park and Recreation Fund, Public Works Equipment Fund, Business Assistance Grant Loan Fund, 911 Agency Fund, Planning Fund, Reserve Fund - Governmental, Grants Fund, Inverse Condemnation Fund, Storm Water Drainage Fund, and Zumwalt Campground Fund.

Debt Service Funds account for the accumulation of resources and the payment of debt including principal, interest and other costs. Non-major debt service funds include Debt Service Fund.

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by business-type or propriety funds). Non-major capital projects funds include the Capital Construction Fund - Governmental and Capital Projects - New Pool.

**Proprietary Funds** are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Water Fund - The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities.

Sewer Fund - The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities.

Other Funds - The Capital Construction Fund – Enterprise, Reserve Fund – Enterprise, and the Capital Projects Fund – Pipeline Construction are other proprietary funds of the City. Enterprise funds are used to account for resources and expenditures to be used in the future to benefit the water and/or sewer utilities. Pipeline Construction is used to account for the City’s costs in acquiring and constructing its water pipeline.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. Measurement Focus/Basis of Accounting**

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the city receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been

**CITY OF VENETA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

C. Measurement Focus/Basis of Accounting (Cont.)

satisfied. Under terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the city's Sewer and Water Funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the city's utility systems as operating revenue. Operating expenses for enterprise funds include the cost of personnel, sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgeting

A budget is prepared for each city fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, capital outlay, contingencies, and debt service by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at June 30. Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the city council. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the city council. The city does not utilize encumbrance accounting for budgeted funds.

E. Cash and Investments

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any short-term, highly liquid investments with initial maturity dates of three months or less.

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

E. Cash and Investments (Cont.)

The City has adopted an investment policy requiring compliance with Oregon statutes, which authorizes the City to invest in obligations of the United States, the agencies and instrumentalities of the United States and the State of Oregon, and numerous other investment instruments.

The City's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The City's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the City's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended, non-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer.

In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

F. Property Taxes

The assessment date for the tax year is July 1. Personal and real property taxes are a lien on July 1. Total personal property tax becomes due and is delinquent when any installment is not paid by its due date. Real property tax is due and payable on November 15. However, a taxpayer may pay real property taxes in three equal installments, due the 15th day of November, February and May. Real property taxes become delinquent if not paid in full by May 15.

G. Accumulated Compensated Absences

Accumulated vested vacation and compensatory pay is accrued as it is earned. For governmental funds, compensation not expected to be liquidated with the current resources are reported as liabilities in the government-wide statements and represent a reconciling item between the fund level and government-wide presentations. In business-type funds both the current and long-term liabilities are recorded.

Sick pay, which does not vest, is recognized in applicable funds when leave is taken.

H. Receivables & Payables

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". All other outstanding balances between funds are reported as "due to/from other funds."

An allowance for bad debts is not carried in the enterprise funds as the City has strong enforcement procedures including discontinuing services and any uncollectible amounts would be immaterial. An allowance for bad debt is not carried in the governmental funds because the City has determined that any uncollectible amount would be immaterial to the financial statements.

**CITY OF VENETA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**I. Deferred Revenue**

The City reports deferred revenue on its balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**J. Inventory**

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The costs of proprietary fund type inventories are recorded as expenditures when consumed rather than when purchased.

**K. Restricted Assets and Liabilities**

Certain resources are set aside and restricted for future bond payments and the related liability, are segregated in the statements of net assets and are classified as restricted assets on the Statement of Net Assets because their use is limited.

**L. Long-Term Debt**

All bonds and capital leases to be paid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Amounts of the long-term debt due within the following fiscal year are included in the current liabilities section of the Statement of Net Assets.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

**M. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost, or estimated cost when original cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Maintenance and repairs of capital assets that do not significantly extend the useful life of an asset are not capitalized, but rather are charged to expenditures in the funds.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method.

The estimated useful lives are as follows:

Buildings and Improvements	40-50 years
Furniture and Office Equipment	3-5 years
Machinery and Equipment	10-20 years
Vehicles	5-10 years
Water and Sewer Systems	40-50 years
Infrastructure	15-65 years

One-half year of depreciation is taken in the year the assets are acquired or retired.

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

N. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

O. Equity Classifications:

*Government-wide Statements*

Equity is classified as net assets, which represents the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The City’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

*Fund Financial Statements*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City did not have any nonspendable resources as of June 30, 2012.
- Restricted: This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has restricted funds for various projects that are to be used for governmental purposes.
- Committed: This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision making authority, the City Council, and does not lapse at year-end. The City did have committed resources as of June 30, 2012.

**CITY OF VENETA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

O. Equity Classifications (Cont):

- Assigned: This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the City Council delegating this responsibility to selected staff members or through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

P. Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers in the fund financial statements. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**2. CASH AND INVESTMENTS:**

For discussion of deposit and investment policies and other related information, see Note 1.E.

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized in Note 1.E.

Investments, including amounts held in pool cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market prices, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

Deposits - All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's website.

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

---

**2. CASH AND INVESTMENTS (CONT.):**

Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization. The balances in excess of the FDIC insurance are considered exposed to custodial credit risk.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits exists when, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

As of June 30, 2012, the reported amount of the City's deposits was \$1,036,191 and the bank balance was \$1,154,518. Of the bank balance, the entire amount was covered by federal depository insurance or by pledged securities with the qualifying depository banks.

Investments - Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Governmental Investment Pool. The City has no credit risk policy or investment policy that would further limit its investment choices

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. As of June 30, 2012, the City's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2012, the City's investments in financial institutions were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Oregon State Treasurer's Local Government Investment Pool (LGIP)	<u>\$ 12,074,603</u>	N/A
Total Investments	<u><u>\$ 12,074,603</u></u>	

Investments in the LGIP and federal agency notes do not require disclosure credit rating quality.

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer. This results in a concentration of credit risk. The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in the Oregon State Treasurer's Local Government Investment Pool (LGIP). This investment is 100% of the City's total investments.

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

**3. CAPITAL ASSETS:**

The following is a summary of capital asset activity for the fiscal year ended June 30, 2012:

<b>Governmental Activities</b>	June 30, 2011	Additions	Deletions	June 30, 2012
<b>Assets not being depreciated:</b>				
Land	\$ 2,560,351	\$ 121,250	\$ -	\$ 2,681,601
Construction-In-Process	-	70,148	-	70,148
<b>Assets being depreciated:</b>				
Buildings	3,444,303	9,481	-	3,453,784
Other	681,531	-	-	681,531
Machinery & Equipment	127,141	18,864	3,072	142,933
Vehicles	124,513	-	-	124,513
Intangibles	46,494	-	-	46,494
Infrastructure*	11,485,158	365,578	-	11,850,736
Total Depreciable Assets	15,909,140	393,923	3,072	16,299,991
<b>Less: Accumulated Depreciation</b>				
Buildings	173,136	74,591	-	247,727
Other	192,579	38,574	-	231,153
Machinery & Equipment	106,637	12,189	-	118,826
Vehicles	107,988	4,935	-	112,923
Intangibles	-	9,299	-	9,299
Infrastructure*	769,557	179,507	-	949,064
Total Accumulated Depreciation	1,349,897	319,095	-	1,668,992
Net Value of Capital Assets Being Depreciated	14,559,243	74,828	3,072	14,630,999
Total Governmental Activities--Net Value of Capital Assets	\$ 17,119,594	\$ 266,226	\$ 3,072	\$ 17,382,748
<b>Business-type Activities</b>				
<b>Assets not being depreciated:</b>				
Land	\$ 522,009	\$ 309,271	\$ 74,627	\$ 756,653
System - Construction-In-Process	295,656	506,142	52,131	749,667
Equipment - Construction-In-Progress	-	-	-	-
<b>Assets being depreciated:</b>				
Utility Plants	19,693,873	552,436	-	20,246,309
Equipment	388,407	-	-	388,407
Total Depreciable Assets	20,082,280	552,436	-	20,634,716
<b>Less: Accumulated Depreciation</b>				
Utility Plants	4,015,031	481,318	-	4,496,349
Equipment	205,395	-	-	205,395
Total Accumulated Depreciation	4,220,426	481,318	-	4,701,744
Net Value of Capital Assets Being Depreciated	15,861,854	71,118	-	15,932,972
Total Business-type Activities--Net Value of Capital Assets	\$ 16,679,519	\$ 886,531	\$ 126,758	\$ 17,439,292
Total Net Assets of Primary Government	\$ 33,799,113	\$ 1,152,757	\$ 129,830	\$ 34,822,040

**Depreciation expense was charged to functions of the primary government as follows:**

Governmental Activities:		Business-Type Activities	
General Government	\$ 319,095	Water Utilities	\$ 201,417
		Sewer Utilities	279,901
Total depreciation expense - governmental activities	\$ 319,095		\$ 481,318

\* With the implementation of GASB #34, the City elected the prospective reporting approach for infrastructure assets. Accordingly, only infrastructure assets acquired on July 1, 2003 and thereafter will be presented in the financial statements.

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

**4. LONG-TERM DEBT:**

In the following paragraphs, long-term debt information is presented separately with respect to governmental and business-type activities. The table below presents current year changes in those obligations and the current portions due for each issue.

	Outstanding Balance July 1, 2011	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2012	Due within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>Note Payable To Siuslaw Bank for the acquisition of land</b>					
Original Balance: \$925,000					
Dated: January 15, 2009					
Interest Rate: 4.95%					
Principal	\$ 754,255	\$ -	\$ 81,985	\$ 672,270	\$ 86,022
Interest	-	36,228	36,228	-	32,191
Totals	\$ 754,255	\$ 36,228	\$ 118,213	\$ 672,270	\$ 118,213
<b>Note Payable To Siuslaw Bank for financing of local improvements to be retired by assessment</b>					
Original Balance: \$223,502					
Dated: June 18, 2009					
Interest Rate: 5.75%					
Principal	\$ 210,727	\$ -	\$ 7,281	\$ 203,446	\$ 7,287
Interest	-	11,790	11,790	-	11,784
Totals	\$ 210,727	\$ 11,790	\$ 19,071	\$ 203,446	\$ 19,071
<b>Note Payable To St. Catherine of Siena Catholic Church for the acquisition of real property.</b>					
<i>Governmental Fund portion of debt is 69.85%, reported here.</i>					
<i>Balance is reported in Business-Type Activities Debt section</i>					
Original Balance: \$238,500					
Dated: July 28, 2009					
Interest Rate: 5.75%					
Principal	\$ 41,648	\$ -	\$ 41,648	\$ -	\$ -
Interest	-	2,395	2,395	-	-
Totals	\$ 41,648	\$ 2,395	\$ 44,043	\$ -	\$ -
<b>Urban Renewal Bonds, Series 2001 issued for the purpose of financing various urban renewal projects</b>					
Original Balance: \$3,360,000					
Dated: December 2000					
Interest Rate: Varies 3.90% - 5.675%					
Principal	\$ 2,100,000	\$ -	\$ 165,000	\$ 1,935,000	\$ 175,000
Interest	-	115,850	115,850	-	106,981
Totals	\$ 2,100,000	\$ 115,850	\$ 280,850	\$ 1,935,000	\$ 281,981
<b>General Obligation Water Bonds held by CAPMARK for Water System Construction</b>					
Original Balance: \$1,000,000					
Dated: August 25, 1981					
Interest Rate: 5.00%					
Principal	\$ 213,806	\$ -	\$ 109,160	\$ 104,646	\$ 65,380
Interest	-	7,931	7,931	-	4,944
Totals	\$ 213,806	\$ 7,931	\$ 117,091	\$ 104,646	\$ 70,324
<b>General Obligation Bonds held by U.S. National Bank for construction of a new swimming pool facility</b>					
Original Balance: \$1,100,000					
Dated: February 12, 2010					
Interest Rate: 4.45%					
Principal	\$ 1,070,000	\$ -	\$ 30,000	\$ 1,040,000	\$ 33,000
Interest	-	46,962	46,962	-	46,280
Totals	\$ 1,070,000	\$ 46,962	\$ 76,962	\$ 1,040,000	\$ 79,280

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

**4. LONG-TERM DEBT (Cont.):**

	Outstanding Balance July 1, 2011	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2012	Due within One Year
<b>TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:</b>					
Principal	\$ 4,390,436	\$ -	\$ 435,074	\$ 3,955,362	\$ 366,688
Interest	-	221,156	221,156	-	202,180
Totals	<u>\$ 4,390,436</u>	<u>\$ 221,156</u>	<u>\$ 656,230</u>	<u>\$ 3,955,362</u>	<u>\$ 568,869</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>Note Payable with DEQ for Sewer System Improvements</b>					
Original Balance: \$1,033,420					
Dated: August 14, 2000					
Interest Rate: 3.43%					
Principal	\$ 112,027	\$ -	\$ 10,824	\$ 101,203	\$ 11,198
Interest	-	3,597	3,597	-	3,376
Totals	<u>\$ 112,027</u>	<u>\$ 3,597</u>	<u>\$ 14,421</u>	<u>\$ 101,203</u>	<u>\$ 14,574</u>
<b>Revenue Bonds held by USDA Rural Development for Sewer System Improvements</b>					
Original Balance: \$4,255,700					
Dated August 8, 2000					
Interest Rate - 4.50%					
Principal	\$ 3,766,733	\$ -	\$ 61,795	\$ 3,704,938	\$ 64,576
Interest	-	167,020	167,020	-	166,722
Totals	<u>\$ 3,766,733</u>	<u>\$ 167,020</u>	<u>\$ 228,815</u>	<u>\$ 3,704,938</u>	<u>\$ 231,298</u>
<b>Note Payable To St. Catherine of Siena Catholic Church for the acquisition of real property.</b>					
<i>Business-Type Fund portion of debt is 30.15%, reported here.</i>					
<i>Balance is reported in Governmental Activities Debt section</i>					
Original Balance: \$238,500					
Dated July 28, 2009					
Interest Rate - 5.75%					
Principal	\$ 17,977	\$ -	\$ 17,977	\$ -	\$ -
Interest	-	-	-	-	-
Totals	<u>\$ 17,977</u>	<u>\$ -</u>	<u>\$ 17,977</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Note Payable to Siuslaw Bank for acquisition of property</b>					
Original Balance: \$362,590					
Dated: December 15, 2011					
Interest Rate - 3.475%					
Principal	\$ -	\$ 362,590	\$ 15,826	\$ 346,764	\$ 31,378
Interest	-	6,941	6,941	-	11,964
Totals	<u>\$ -</u>	<u>\$ 369,531</u>	<u>\$ 22,767</u>	<u>\$ 346,764</u>	<u>\$ 43,342</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:</b>					
Principal	\$ 3,896,737	\$ 362,590	\$ 106,422	\$ 4,152,905	\$ 107,152
Interest	-	177,558	177,558	-	182,062
Totals	<u>\$ 3,896,737</u>	<u>\$ 540,148</u>	<u>\$ 283,980</u>	<u>\$ 4,152,905</u>	<u>\$ 289,214</u>
<b>TOTAL DEBT AGREEMENTS:</b>					
Principal	\$ 8,287,173	\$ 362,590	\$ 541,496	\$ 8,108,267	\$ 473,840
Interest	-	398,714	398,714	-	384,242
Totals	<u>\$ 8,287,173</u>	<u>\$ 761,304</u>	<u>\$ 940,210</u>	<u>\$ 8,108,267</u>	<u>\$ 858,083</u>

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

**4. LONG-TERM DEBT (CONT.):**

The debt service requirements on the above debt is as follows:

	Due Fiscal Year Ending June 30,	Principal	Interest	Total
<b><u>Governmental Activities</u></b>				
Note Payable with Siuslaw Bank	2013	86,022	32,191	118,213
	2014	90,421	27,792	118,213
	2015	95,045	23,168	118,213
	2016	99,860	18,352	118,213
	2017	105,012	13,200	118,213
	2018-2019	195,911	10,671	206,582
	Total	<u>\$ 672,270</u>	<u>\$ 125,374</u>	<u>\$ 797,644</u>
Note Payable with Siuslaw Bank	2013	7,287	11,784	19,071
	2014	7,718	11,353	19,071
	2015	8,174	10,897	19,071
	2016	8,630	10,441	19,071
	2017	9,168	9,903	19,071
	2018-2022	54,621	40,734	95,355
	2023-2027	72,809	22,545	95,355
	2028-2029	35,039	2,667	37,706
	Total	<u>\$ 203,446</u>	<u>\$ 120,324</u>	<u>\$ 323,770</u>
Urban Renewal Bonds, Series 2001	2013	175,000	106,981	281,981
	2014	180,000	97,575	277,575
	2015	190,000	87,900	277,900
	2016	200,000	77,688	277,688
	2017	215,000	66,938	281,938
	2018-2021	975,000	140,906	1,115,906
	Total	<u>1,935,000</u>	<u>577,988</u>	<u>2,512,988</u>
General Obligation Water Bond Debt	2013	65,380	4,944	70,324
	2014	39,266	1,648	40,914
	Total	<u>\$ 104,646</u>	<u>\$ 6,592</u>	<u>\$ 111,238</u>
General Obligation Bonds - Swimming Pool Facility	2013	33,000	46,280	79,280
	2014	36,000	44,812	80,812
	2015	38,000	43,210	81,210
	2016	43,000	41,519	84,519
	2017	47,000	39,605	86,605
	2018-2022	290,000	163,493	453,493
	2023-2027	376,000	91,181	467,181
	2028-2029	177,000	11,882	188,882
	Total	<u>\$ 1,040,000</u>	<u>\$ 481,980</u>	<u>\$ 1,521,980</u>

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

**4. LONG-TERM DEBT (CONT.):**

	Due Fiscal Year Ending June 30,	Principal	Interest	Total
<b><u>Business-Type Activities</u></b>				
Note Payable with DEQ	2013	11,198	3,376	14,574
	2014	11,585	2,989	14,574
	2015	11,986	2,588	14,574
	2016	12,401	2,173	14,574
	2017	12,829	1,745	14,574
	2018-2020	41,204	2,508	43,712
	Total	<u>\$ 101,203</u>	<u>\$ 15,379</u>	<u>\$ 116,582</u>
Note Payable with USDA Rural Development	2013	64,576	166,722	231,298
	2014	67,482	163,816	231,298
	2015	70,518	160,780	231,298
	2016	73,692	157,606	231,298
	2017	77,008	154,290	231,298
	2018-2022	439,945	716,245	1,156,190
	2023-2027	548,626	607,837	1,156,463
	2028-2032	683,686	472,803	1,156,489
	2033-2037	851,999	304,492	1,156,491
	2038-2041	827,406	94,888	922,294
Total	<u>\$ 3,704,938</u>	<u>\$ 2,999,479</u>	<u>\$ 6,704,417</u>	
Note Payable to Siuslaw Bank for acquisition of real property	2013	\$ 31,378	\$ 11,964	\$ 43,342
	2014	\$ 32,493	\$ 10,849	\$ 43,342
	2015	\$ 33,648	\$ 9,694	\$ 43,342
	2016	\$ 34,822	\$ 8,521	\$ 43,343
	2017	\$ 36,082	\$ 7,260	\$ 43,342
	2018-2022	\$ 178,341	\$ 16,138	\$ 194,479
Total	<u>\$ 346,764</u>	<u>\$ 64,426</u>	<u>\$ 411,190</u>	

**5. PENSION PLAN:**

**Plan Description.** The City contributes to the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees and the State Legislature.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (“OPSRP”) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the “Pension Program”) and a defined contribution portion (the Individual Account Program or “IAP”). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service.

**CITY OF VENETA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

---

**5. PENSION PLAN (CONT.)**

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at [www.pers.state.or.us](http://www.pers.state.or.us).

**Funding Policy.** Plan members are required to contribute 6% of their annual covered salary. The City "picks up" employee contributions at a rate of 6% as allowed under ORS 237.075. The City is required to contribute at an actuarially determined rate for the qualifying employees under the OPSRP plan. The OPERB and the OPSRP rates in effect for the year ended June 30, 2012 were 9.72% and 8.46% respectively. The contribution requirements of plan members and the City are established and may be amended by the PERS Board of Trustees.

**Annual Pension Cost.** The City's contribution to PERS for the years ending June 30, 2012, 2011, and 2010 were \$106,077, \$79,070 and \$82,380 respectively. The contributions actually made are equivalent to the Annual Pension Cost.

**6. OTHER POST-EMPLOYMENT BENEFITS (OPEB):**

*Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA)*

Plan Description

The City contributes to the Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Oregon Public Employees Retirement Board (OPERB). The plan, which was established under Oregon Revised Statutes 238.420, provides a payment of up to \$60 per month towards the costs of health insurance for eligible PERS retirees. RHIA post-employment benefits are set by state statute. A comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598- 7377, or by accessing the PERS web site at <http://oregon.gov/PERS/>.

Funding Policy

Participating employers are contractually required to contribute at a rate assessed bi-annually by the OPERB, currently 0.59% of annual covered payroll. The OPERB sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to PERS' RHIA for the year ended June 30, 2012, was \$6,438, which equaled the required contributions for the year.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

---

**6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) Cont.:**

components of the City's annual OPEB cost for the fiscal year ending June 30, 2012, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 26,949
Interest on net OPEB obligation	1,066
Adjustment to the annual required contribution	<u>5,328</u>
Annual OPEB cost (expense)	33,343
Contributions made	<u>14,335</u>
Increase in net OPEB obligation	8,351
Net OPEB obligation, beginning of year	<u>22,434</u>
Net OPEB obligation, end of year	<u><u>\$ 30,785</u></u>

**7. CONTINGENT LIABILITIES:**

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

**8. RISK MANAGEMENT:**

To reduce the risk of loss from liability, fire, theft, accident, medical costs, errors and omissions, the City maintains various commercial insurance policies.

The City came under the State Unemployment Act as of July 1, 1974. The City has elected to pay State Unemployment insurance to the State on a reimbursement basis. Unemployment claims paid by the Employment Division of the State of Oregon to former City employees creates a reimbursement liability to the City. Reimbursements paid become expenditures to the fund in which the majority of the employee's wages were charged. The estimated liability for unpaid claims is calculated as the present value of expected but unpaid claims based on historical experience and going concern assessments. The City's estimated liability for unpaid unemployment claims is immaterial. Therefore, no liability amount appears on the City's statement of net assets or balance sheet.

Regular, full-time employees have health care insurance provided by a third-party insurance company. Premiums to the insurance company are primarily paid by employer contributions.

There have been no significant reductions in coverage from the prior years and settlements have not exceeded insurance coverage in the past three years.

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

**9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

Interfund transfers for the year ended June 30, 2012 were as follows:

	Transfers Out	Transfers In
General Fund	\$ 50,000	13,207
Park and Recreation Fund	-	15,000
Street Fund	5,000	-
Water Fund	5,000	-
Sewer Fund	55,000	-
Storm Drainage Fund	20,000	-
Capital Construction Fund - Governmental	85,000	-
Capital Construction Fund - Enterprise	-	-
Public Works Fund	-	15,000
Zumwalt Campground Fund	15,000	-
Business Assistance Grant Loan Fund	1,000	-
Capital Projects - New Pool	-	85,000
Capital Projects - W. Broadway Development	-	-
Local Improvement Fund	-	-
Inverse Condemnation Fund	-	120,000
Capital Projects - Pipeline Construction	-	600,000
Reserve Fund - Governmental	-	-
Reserve Fund - Enterprise	-	-
Urban Renewal General Fund	612,207	-
Total	\$ 848,207	\$ 848,207

The City makes interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues. The transfers are part of the City's budget preparation and adoption.

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

**10. DEFERRED REVENUE:**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds and proprietary funds report deferred revenue in connection with resources that have been received but not yet earned. At June 30, 2012, the various components of deferred revenue consist of the following:

Deferred Revenue - Governmental Funds – Budget Basis:

	<b>General Fund</b>	<b>Law Enforcement Fund</b>	<b>Street Fund</b>	<b>Local Improvement Fund</b>	<b>Capital Projects - W. Broadway Development Fund</b>	<b>Urban Renewal Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Property Taxes	\$ 15,849	\$ 52,257	\$ -	\$ -	\$ -	\$ 50,195	\$ 28,775	\$ 147,076
Liens	6,571	-	3,360	65,207	-	-	51,449	126,587
Franchise Taxes	14,801	-	14,801	-	-	-	-	29,602
Other	34,707	-	-	-	250,326	-	15,325	300,358
<b>Total</b>	<b>\$ 71,928</b>	<b>\$ 52,257</b>	<b>\$ 18,161</b>	<b>\$ 65,207</b>	<b>\$ 250,326</b>	<b>\$ 50,195</b>	<b>\$ 95,549</b>	<b>\$ 603,623</b>

Deferred Revenue - Business-Type Funds – Budget Basis:

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
Accounts	\$ 298	\$ 93,220	\$ 93,518
Liens	1,239	11,098	12,337
<b>Total</b>	<b>\$ 1,537</b>	<b>\$ 104,318</b>	<b>\$ 105,855</b>

**CITY OF VENETA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2012**

**11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS:**

The City maintains two Enterprise Funds which account for the municipal water and sewer activities. Key financial data for these operations for the year ended June 30, 2012 are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Total Assets	\$ 9,732,633	\$ 10,305,084	\$ 20,037,717
Current Assets	1,263,514	1,103,613	2,367,127
Restricted Assets	-	231,298	231,298
Capital Assets	8,469,119	8,970,173	17,439,292
Total Liabilities	49,212	4,047,666	4,096,878
Current Liabilities	49,212	317,298	366,510
Non-Current Liabilities	-	3,730,368	3,730,368
Total Net Assets	9,683,421	6,257,418	15,940,839
Invested in Capital Assets, net of related debt	8,469,119	5,164,031	13,633,150
Restricted for Debt Service	-	231,298	231,298
Unrestricted	1,214,302	862,089	2,076,391
Operating Revenues	664,974	987,860	1,652,834
Operating Expenses			
Depreciation	201,417	279,901	481,318
Operating Income (Loss)	30,599	270,730	301,329
Non-Operating Revenues	5,270	6,109	11,379
Transfers To (From)	(5,000)	(55,000)	(60,000)
Change In Net Assets	532,661	720,771	1,253,432
Beginning Net Assets	9,150,760	5,536,647	14,687,407
Ending Net Assets	9,683,421	6,257,418	15,940,839
Cash Provided (Used) by:			
Operating Activities	225,067	528,150	753,217
Non Capital Financing Activities	(5,000)	(55,000)	(60,000)
Capital & Related Financing	(19,011)	(399,847)	(418,858)
Investing Activities	5,270	6,109	11,379
Beginning Cash	936,479	1,130,908	2,067,387
Ending Cash	\$ 1,142,805	\$ 1,210,320	\$ 2,353,125

**REQUIRED**  
**SUPPLEMENTARY**  
**INFORMATION**

**CITY OF VENETA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
<b><u>REVENUES:</u></b>				
Taxes and Assessments	195,216	195,216	199,602	4,386
Intergovernmental	71,071	71,071	75,378	4,307
Franchise Taxes	73,529	73,529	101,820	28,291
Licenses and Permits	47,083	47,083	43,603	(3,480)
Fines and Forfeitures	21,000	21,000	26,040	5,040
Investment Revenue	2,000	2,000	3,581	1,581
Grants	6,239	6,239	10,253	4,014
Other Revenue	39,639	39,639	47,508	7,869
<b>Total Revenues</b>	<b>455,777</b>	<b>455,777</b>	<b>507,785</b>	<b>52,008</b>
<b><u>EXPENDITURES:</u></b>				
Personal Services	293,515	293,515	282,084	(11,431)
Materials and Services	217,308	217,308	134,972	(82,336)
Capital Outlay	8,000	8,000	-	(8,000)
Contingency	25,000	25,000	-	(25,000)
<b>Total Expenditures</b>	<b>543,823</b>	<b>543,823</b>	<b>417,056</b>	<b>(126,767)</b>
Excess (Deficiency) of Revenues Over Expenditures	(88,046)	(88,046)	90,729	178,775
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer In	57,637	57,637	13,207	(44,430)
Operating Transfer (Out)	(50,000)	(50,000)	(50,000)	-
<b>Total Other Financing Sources (Uses):</b>	<b>7,637</b>	<b>7,637</b>	<b>(36,793)</b>	<b>(44,430)</b>
Net Change in Fund Balance	(80,409)	(80,409)	53,936	134,345
<b>FUND BALANCE, July 1, 2011</b>	<b>674,000</b>	<b>674,000</b>	<b>684,768</b>	<b>10,768</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 593,591</b>	<b>\$ 593,591</b>	<b>\$ 738,704</b>	<b>\$ 145,113</b>

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

**CITY OF VENETA**  
**LAW ENFORCEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
<b><u>REVENUES:</u></b>				
Taxes and Assessments	646,919	646,919	\$ 664,012	\$ 17,093
Franchise Tax - Telecommunications	70,940	70,940	61,591	(9,349)
Investment Revenue	1,200	1,200	3,530	2,330
Grants	11,000	11,000	5,085	(5,915)
<b>Total Revenues</b>	<b>730,059</b>	<b>730,059</b>	<b>734,218</b>	<b>4,159</b>
<b><u>EXPENDITURES:</u></b>				
Materials and Services	736,600	736,600	725,694	(10,906)
Capital Outlay	2,500	2,500	-	(2,500)
Contingency	5,000	5,000	-	(5,000)
<b>Total Expenditures</b>	<b>744,100</b>	<b>744,100</b>	<b>725,694</b>	<b>(18,406)</b>
Net Change in Fund Balance	(14,041)	(14,041)	8,524	22,565
<b>FUND BALANCE, July 1, 2011</b>	<b>384,000</b>	<b>384,000</b>	<b>492,375</b>	<b>108,375</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 369,959</b>	<b>\$ 369,959</b>	<b>\$ 500,899</b>	<b>\$ 130,940</b>

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

**CITY OF VENETA**  
**STREET FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>REVENUES:</u></b>				
Intergovernmental	\$ 338,240	\$ 338,240	\$ 323,784	\$ (14,456)
Franchise Taxes	73,528	73,528	101,820	28,292
Licenses and Permits	400	400	420	20
Investment Revenue	3,000	3,000	6,331	3,331
Other Revenue	100	100	455	355
<b>Total Revenues</b>	<b>415,268</b>	<b>415,268</b>	<b>432,810</b>	<b>17,542</b>
<b><u>EXPENDITURES:</u></b>				
Personal Services	134,238	134,238	112,552	(21,686)
Materials and Services	176,512	176,512	93,207	(83,305)
Capital Outlay	800	800	-	(800)
Debt Service:				
Principal	16,868	16,868	16,868	-
Interest	970	970	970	-
Contingency	35,000	35,000	-	(35,000)
<b>Total Expenditures</b>	<b>364,388</b>	<b>364,388</b>	<b>223,597</b>	<b>(140,791)</b>
Excess (Deficiency) of Revenues Over Expenditures	50,880	50,880	209,213	158,333
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer (Out)	(5,000)	(5,000)	(5,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>-</b>
Net Change in Fund Balance	45,880	45,880	204,213	158,333
<b>FUND BALANCE, July 1, 2011</b>	<b>1,139,000</b>	<b>1,139,000</b>	<b>1,233,062</b>	<b>94,062</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 1,184,880</b>	<b>\$ 1,184,880</b>	<b>\$ 1,437,275</b>	<b>\$ 252,395</b>

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

**CITY OF VENETA**  
**RESERVE FUND - GOVERNMENTAL**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Investment Revenue	\$ 2,000	\$ 2,000	\$ 3,633	\$ 1,633
<b>Total Revenues</b>	2,000	2,000	3,633	1,633
<b><u>EXPENDITURES:</u></b>				
<b>Total Expenditures</b>	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	2,000	2,000	3,633	1,633
<b>FUND BALANCE, July 1, 2011</b>	705,000	705,000	709,884	4,884
<b>FUND BALANCE, June 30, 2012</b>	\$ 707,000	\$ 707,000	\$ 713,517	\$ 6,517

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

**CITY OF VENETA**  
**LOCAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>REVENUES:</u></b>				
Taxes and Assessments	\$ 1,600	\$ 1,600	\$ 34,185	\$ 32,585
Investment Revenue	50	50	630	580
<b>Total Revenues</b>	<b>1,650</b>	<b>1,650</b>	<b>34,815</b>	<b>33,165</b>
<b><u>EXPENDITURES:</u></b>				
Materials and Services	6,150	6,150	-	(6,150)
Capital Outlay	223,000	223,000	-	(223,000)
Debt Service:				
Principal	15,730	15,730	7,281	(8,449)
Interest	23,432	23,432	11,790	(11,642)
<b>Total Expenditures</b>	<b>268,312</b>	<b>268,312</b>	<b>19,071</b>	<b>(249,241)</b>
Excess (Deficiency) of Revenues Over Expenditures	(266,662)	(266,662)	15,744	282,406
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Loan Proceeds	223,000	223,000	-	(223,000)
<b>Total Other Financing Sources (Uses)</b>	<b>223,000</b>	<b>223,000</b>	<b>-</b>	<b>(223,000)</b>
Net Change In Fund Balance	(43,662)	(43,662)	15,744	59,406
<b>FUND BALANCE, July 1, 2011</b>	<b>125,000</b>	<b>125,000</b>	<b>123,402</b>	<b>(1,598)</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 81,338</b>	<b>\$ 81,338</b>	<b>\$ 139,146</b>	<b>\$ 57,808</b>

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

**CITY OF VENETA**  
**URBAN RENEWAL GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary Basis) (See Note 1)	Final Budget Positive (Negative)
<b><u>REVENUES:</u></b>				
Investment Revenue	\$ 2,000	\$ 2,000	\$ 347	\$ (1,653)
<b>Total Revenues</b>	2,000	2,000	347	(1,653)
<b><u>EXPENDITURES:</u></b>				
Contracted Services	101,500	101,500	-	(101,500)
Materials and Services	20,000	20,000	23,791	3,791
<b>Total Expenditures</b>	121,500	121,500	23,791	3,791
Excess (Deficiency) of Revenues Over Expenditures	(119,500)	(119,500)	(23,444)	(5,444)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer (Out)	(656,637)	(656,637)	(612,207)	44,430
Loan Proceeds	600,000	600,000	400,000	(200,000)
<b>Total Other Financing Sources (Uses):</b>	(56,637)	(56,637)	(212,207)	(155,570)
Net Change In Fund Balance	(176,137)	(176,137)	(235,651)	(161,014)
<b>FUND BALANCE, July 1, 2011</b>	548,000	548,000	616,835	68,835
<b>FUND BALANCE, June 30, 2012</b>	\$ 371,863	\$ 371,863	\$ 381,184	\$ (92,179)

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

**OTHER**  
**SUPPLEMENTARY**  
**INFORMATION**

**Combining and Individual**  
**Fund Financial Statements**

**Additional Supporting Schedules**

## **Proprietary Funds**

**CITY OF VENETA**  
**WATER FUND (A Major Fund)**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
<b><u>REVENUES:</u></b>				
Charges for Services	\$ 623,420	\$ 623,420	\$ 663,120	\$ 39,700
Investment Revenue	2,000	2,000	5,270	3,270
Other Revenue	200	200	2,907	2,707
<b>Total Revenues</b>	<b>625,620</b>	<b>625,620</b>	<b>671,297</b>	<b>45,677</b>
<b><u>EXPENDITURES:</u></b>				
Personal Services	335,003	335,003	294,282	(40,721)
Materials and Services	212,827	212,827	129,936	(82,891)
Capital Outlay	15,500	15,500	-	(15,500)
Debt Service				
Principal	17,977	17,977	17,977	-
Interest	1,034	1,034	-	(1,034)
Contingency	50,000	50,000	-	(50,000)
<b>Total Expenditures</b>	<b>632,341</b>	<b>632,341</b>	<b>442,195</b>	<b>(190,146)</b>
Excess (Deficiency) of Revenues Over Expenditures	(6,721)	(6,721)	229,102	235,823
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer (Out)	(5,000)	(5,000)	(5,000)	-
<b>Total Other Financing Sources (Uses):</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>-</b>
Net Change In Fund Balance	(11,721)	(11,721)	224,102	235,823
<b>FUND BALANCE, July 1, 2011</b>	<b>890,000</b>	<b>890,000</b>	<b>1,014,569</b>	<b>124,569</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 878,279</b>	<b>\$ 878,279</b>	<b>\$ 1,238,671</b>	<b>\$ 360,392</b>

**Reconciliation to Generally Accepted Accounting Principles Basis:**

Net Change in Fund Balance from Above	224,102
Debt Repayment - Principal	17,977
Depreciation Expense	(201,417)
Change in Deferred Revenue	(1,053)
OPEB Expense	(8,740)
Equity Transfers In (Out)	501,792
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	<u>\$ 532,661</u>

**CITY OF VENETA**  
**SEWER FUND (A Major Fund)**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget
				Positive (Negative)
	Original	Final		
<b><u>REVENUES:</u></b>				
Charges for Services	\$ 953,000	\$ 953,000	\$ 961,226	\$ 8,226
Investment Revenue	3,000	3,000	6,109	3,109
Other Revenue	14,500	14,500	15,536	1,036
<b>Total Revenues</b>	<b>970,500</b>	<b>970,500</b>	<b>982,871</b>	<b>12,371</b>
<b><u>EXPENDITURES:</u></b>				
Personal Services	279,585	279,585	249,102	(30,483)
Materials and Services	280,771	280,771	187,036	(93,735)
Capital Outlay	731,300	731,300	619,701	(111,599)
Debt Service				
Principal	36,500	36,500	36,161	(339)
Interest	86,900	86,900	84,565	(2,335)
Contingency	100,000	100,000	-	(100,000)
<b>Total Expenditures</b>	<b>1,515,056</b>	<b>1,515,056</b>	<b>1,176,565</b>	<b>(338,491)</b>
Excess (Deficiency) of Revenues Over Expenditures	(544,556)	(544,556)	(193,694)	350,862
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer (Out)	(55,000)	(55,000)	(55,000)	-
Loan Proceeds	375,000	375,000	362,590	(12,410)
Proceeds from Sale of Property	60,000	60,000	72,410	12,410
<b>Total Other Financing Sources (Uses):</b>	<b>380,000</b>	<b>380,000</b>	<b>380,000</b>	<b>-</b>
Net Change In Fund Balance	(164,556)	(164,556)	186,306	350,862
<b>FUND BALANCE, July 1, 2011</b>	<b>825,000</b>	<b>825,000</b>	<b>921,687</b>	<b>96,687</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 660,444</b>	<b>\$ 660,444</b>	<b>\$ 1,107,993</b>	<b>\$ 447,549</b>

**Reconciliation to Generally Accepted Accounting Principles Basis:**

Net Change in Fund Balance from Above	186,306
Debt Repayment - Principal	36,161
Expenditures that are Capitalized	627,261
Depreciation Expense	(279,901)
Change in Deferred Revenue	11,098
Loan Proceeds	(362,590)
Gain/(Loss) on Disposition vs Proceeds from Sale of Property	(74,627)
Interest Paid by Other Funds	(92,993)
OPEB Expense	(8,651)
Equity Transfers In (Out)	678,707
Net Income as Reported in Proprietary Funds Statement of Revenues, Expenditures, and Changes in Net Assets	<u>\$ 720,771</u>

## CITY OF VENETA

### CAPITAL CONSTRUCTION - ENTERPRISE FUND (A Major Fund)

#### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>REVENUES:</u></b>				
Taxes and Assessments	\$ 116,654	\$ 116,654	\$ 69,423	\$ (47,231)
Investment Revenue	8,000	8,000	16,152	8,152
<b>Total Revenues</b>	<b>124,654</b>	<b>124,654</b>	<b>85,575</b>	<b>(39,079)</b>
<b><u>EXPENDITURES:</u></b>				
Materials and Services	20,000	20,000	-	(20,000)
Capital Outlay	320,200	320,200	186,666	(133,534)
Debt Service				
Principal	51,180	51,180	52,284	1,104
Interest	105,283	105,283	92,993	(12,290)
<b>Total Expenditures</b>	<b>496,663</b>	<b>496,663</b>	<b>331,943</b>	<b>(164,720)</b>
Excess (Deficiency) of Revenues Over Expenditures	(372,009)	(372,009)	(246,368)	125,641
<b>FUND BALANCE, July 1, 2011</b>	<b>2,845,267</b>	<b>2,845,267</b>	<b>3,162,585</b>	<b>317,318</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$2,473,258</b>	<b>\$2,473,258</b>	<b>\$ 2,916,217</b>	<b>\$ 442,959</b>

#### **Reconciliation to Generally Accepted Accounting Principles Basis:**

Net Change in Fund Balance from Above	(246,368)
Debt Repayment - Principal	52,284
Capital Outlay that is Capitalized	186,666
Change in Deferred Revenue	(11,641)
Interest Paid for Other Funds	92,993
Equity Transfers In (Out)	(678,707)
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	<u>\$ (604,773)</u>

**CITY OF VENETA**  
**CAPITAL PROJECTS FUND - PIPELINE CONSTRUCTION (A Major Fund)**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>REVENUES:</u></b>				
Interim Financing Proceeds	\$15,800,000	\$15,800,000	\$ -	\$ (15,800,000)
Investment Revenue	100	100	-	(100)
<b>Total Revenues</b>	<b>15,800,100</b>	<b>15,800,100</b>	<b>-</b>	<b>(15,800,100)</b>
<b><u>EXPENDITURES:</u></b>				
Materials and Services	1,055,389	1,055,389	501,792	(553,597)
Capital Outlay	14,144,611	14,144,611	-	(14,144,611)
Debt Service:				
Interim Financing Origination Fee	237,000	237,000	-	(237,000)
Interim Interest	840,000	840,000	-	(840,000)
<b>Total Expenditures</b>	<b>16,277,000</b>	<b>16,277,000</b>	<b>501,792</b>	<b>(15,775,208)</b>
Excess (Deficiency) of Revenues Over Expenditures	(476,900)	(476,900)	(501,792)	(24,892)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer In	600,000	600,000	600,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>-</b>
Net Change In Fund Balance	123,100	123,100	98,208	(24,892)
<b>FUND BALANCE, July 1, 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 123,100</b>	<b>\$ 123,100</b>	<b>\$ 98,208</b>	<b>\$ (24,892)</b>

**Reconciliation to Generally Accepted Accounting Principles Basis:**

Net Change in Fund Balance from Above	98,208
Capital Outlay that is Capitalized	501,792
Equity Transfers In (Out)	(501,792)
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	<u>\$ 98,208</u>

**CITY OF VENETA**

**RESERVE - ENTERPRISE FUND (A Non-Major Fund)  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

---

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
	Original	Final		
<b><u>REVENUES:</u></b>				
Investment Revenue	\$ 3,000	\$ 3,000	\$ 6,715	\$ 3,715
<b>Total Revenues</b>	3,000	3,000	6,715	3,715
<b><u>EXPENDITURES:</u></b>				
<b>Total Expenditures</b>	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	3,000	3,000	6,715	3,715
<b>FUND BALANCE, July 1, 2011</b>	1,305,081	1,305,081	1,311,582	6,501
<b>FUND BALANCE, June 30, 2012</b>	<u>\$ 1,308,081</u>	<u>\$ 1,308,081</u>	<u>\$ 1,318,297</u>	<u>\$ 10,216</u>

## **Non-Major Governmental Funds**

**CITY OF VENETA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	Combined Non-Major Special Revenue- Type Funds	Combined Non-Major Debt Service- Type Funds	Combined Non-Major Capital Projects- Type Funds	Total
<b><u>ASSETS:</u></b>				
Cash & Investments	\$ 958,424	\$ 117,473	\$ 475,767	\$1,551,664
Receivables:				
Property Taxes	19,397	-	-	19,397
Loans	15,000	-	-	15,000
Accounts	11,637	-	-	11,637
Liens	-	-	51,449	51,449
Other	11,050	10,107	-	21,157
Prepaid Expenditures	-	23,140	-	23,140
<b>Total Assets</b>	<b>\$ 1,015,508</b>	<b>\$ 150,720</b>	<b>\$ 527,216</b>	<b>\$1,693,444</b>
<b><u>LIABILITIES:</u></b>				
Accounts Payable	\$ 13,126	\$ -	\$ -	\$ 13,126
Deferred Revenue	34,238	9,862	51,449	95,549
<b>Total Liabilities</b>	<b>47,364</b>	<b>9,862</b>	<b>51,449</b>	<b>108,675</b>
<b><u>FUND BALANCES:</u></b>				
Restricted for:				
Debt Service	17,261	140,858	-	158,119
Committed for:				
Parks and Recreation Programs	258,436	-	-	258,436
Community Development Projects	540,304	-	-	540,304
Capital Projects	152,143	-	475,767	627,910
<b>Total Fund Balances</b>	<b>968,144</b>	<b>140,858</b>	<b>475,767</b>	<b>1,584,769</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,015,508</b>	<b>\$ 150,720</b>	<b>\$ 527,216</b>	<b>\$1,693,444</b>

# CITY OF VENETA

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### NON-MAJOR GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2012

	Combined Non-Major Special Revenue- Type Funds	Combined Non-Major Debt Service- Type Funds	Combined Non-Major Capital Projects- Type Funds	Total
<b><u>REVENUES:</u></b>				
Taxes and Assessments	\$ 298,302	\$ 158,408	\$ 57,007	\$ 513,717
Intergovernmental	61,387	-	-	61,387
Charges for Services	155,406	-	-	155,406
Grants	-	-	1,700	1,700
Investment Revenue	5,483	668	2,500	8,651
Other Revenue	1,151	-	6,349	7,500
<b>Total Receipts</b>	<b>521,729</b>	<b>159,076</b>	<b>67,556</b>	<b>748,361</b>
<b><u>EXPENDITURES:</u></b>				
General Government	155,588	-	-	155,588
Public Safety	22,428	-	-	22,428
Culture and Recreation	265,253	-	-	265,253
Debt Service:				
Principal	106,765	139,160	-	245,925
Interest	37,653	54,893	-	92,546
Capital Outlay	28,345	-	-	28,345
<b>Total Expenditures</b>	<b>616,032</b>	<b>194,053</b>	<b>-</b>	<b>810,085</b>
Excess (Deficiency) of Revenues Over Expenditures	(94,303)	(34,977)	67,556	(61,724)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfers In	150,000	-	85,000	235,000
Operating Transfers Out	(36,000)	-	(85,000)	(121,000)
<b>Total Other Financing Sources (Uses):</b>	<b>114,000</b>	<b>-</b>	<b>-</b>	<b>114,000</b>
Net Change in Fund Balance	19,697	(34,977)	67,556	52,276
<b>FUND BALANCE, July 1, 2011</b>	<b>948,447</b>	<b>175,835</b>	<b>408,211</b>	<b>1,532,493</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 968,144</b>	<b>\$ 140,858</b>	<b>\$ 475,767</b>	<b>\$ 1,584,769</b>

**Non-Major Special**  
**Revenue Funds**

**CITY OF VENETA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR SPECIAL REVENUE FUNDS**

**JUNE 30, 2012**

	Parks and Recreation Fund	Public Works Equipment Fund	911 Agency Fund	Business Assistance Grant/Loan Fund	Zumwalt Camp- ground Fund	Planning Fund	Grants Fund	Storm Water Drainage Fund	Inverse Condem- nation Fund	Total
<b><u>ASSETS:</u></b>										
Cash & Investments	\$ 170,147	\$ 152,143	\$ -	\$ 161,435	\$ 85,029	\$ 201,892	\$ 786	\$ 169,731	\$ 17,261	\$ 958,424
Receivables:										
Property Taxes	7,887	-	-	-	-	11,510	-	-	-	19,397
Loans	-	-	-	15,000	-	-	-	-	-	15,000
Accounts	-	-	5,661	-	-	-	-	5,976	-	11,637
Other	9,658	-	-	-	-	1,392	-	-	-	11,050
<b>Total Assets</b>	<b>\$ 187,692</b>	<b>\$ 152,143</b>	<b>\$ 5,661</b>	<b>\$ 176,435</b>	<b>\$ 85,029</b>	<b>\$ 214,794</b>	<b>\$ 786</b>	<b>\$ 175,707</b>	<b>\$ 17,261</b>	<b>\$ 1,015,508</b>
<b><u>LIABILITIES:</u></b>										
Accounts Payable	\$ 5,766	\$ -	\$ 5,661	\$ -	\$ 494	\$ 1,154	\$ -	\$ 51	\$ -	\$ 13,126
Deferred Revenue	8,025	-	-	15,000	-	11,213	-	-	-	34,238
<b>Total Liabilities</b>	<b>13,791</b>	<b>-</b>	<b>5,661</b>	<b>15,000</b>	<b>494</b>	<b>12,367</b>	<b>-</b>	<b>51</b>	<b>-</b>	<b>47,364</b>
<b><u>FUND BALANCES:</u></b>										
Restricted for:										
Debt Service	-	-	-	-	-	-	-	-	17,261	17,261
Committed for:										
Parks and Recreation Programs	173,901	-	-	-	84,535	-	-	-	-	258,436
Community Development Projects	-	-	-	161,435	-	202,427	786	175,656	-	540,304
Capital Projects	-	152,143	-	-	-	-	-	-	-	152,143
<b>Total Fund Balances</b>	<b>173,901</b>	<b>152,143</b>	<b>-</b>	<b>161,435</b>	<b>84,535</b>	<b>202,427</b>	<b>786</b>	<b>175,656</b>	<b>17,261</b>	<b>968,144</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 187,692</b>	<b>\$ 152,143</b>	<b>\$ 5,661</b>	<b>\$ 176,435</b>	<b>\$ 85,029</b>	<b>\$ 214,794</b>	<b>\$ 786</b>	<b>\$ 175,707</b>	<b>\$ 17,261</b>	<b>\$ 1,015,508</b>

**CITY OF VENETA**

**COMBINING SCHEDULE OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES**

**NON-MAJOR SPECIAL REVENUE FUNDS**

**For The Fiscal Year Ended June 30, 2012**

	Parks and Recreation Fund	Public Works Equipment Fund	911 Agency Fund	Business Assistance Grant Loan Fund	Zumwalt Camp- ground Fund	Planning Fund	Grants Fund	Storm Water Drainage Fund	Inverse Condemn- ation Fund	Total
<b><u>REVENUES:</u></b>										
Taxes and Assessments	\$144,346	\$ -	\$ -	\$ -	\$ -	\$153,956	\$ -	\$ -	\$ -	\$ 298,302
Intergovernmental	38,959	-	22,428	-	-	-	-	-	-	61,387
Charges for Services	47,757	-	-	-	53,760	4,651	-	49,238	-	155,406
Investment Revenue	1,054	791	-	1,007	396	1,342	6	809	78	5,483
Other Revenue	180	-	-	-	470	501	-	-	-	1,151
<b>Total Receipts</b>	<b>232,296</b>	<b>791</b>	<b>22,428</b>	<b>1,007</b>	<b>54,626</b>	<b>160,450</b>	<b>6</b>	<b>50,047</b>	<b>78</b>	<b>521,729</b>
<b><u>EXPENDITURES:</u></b>										
General Government	-	-	-	35,000	-	108,631	-	11,957	-	155,588
Public Safety	-	-	22,428	-	-	-	-	-	-	22,428
Culture and Recreation	235,139	-	-	-	30,114	-	-	-	-	265,253
Capital Outlay	9,481	18,864	-	-	-	-	-	-	-	28,345
Debt Service:										
Principal	24,780	-	-	-	-	-	-	-	81,985	106,765
Interest	1,425	-	-	-	-	-	-	-	36,228	37,653
<b>Total Expenditures</b>	<b>270,825</b>	<b>18,864</b>	<b>22,428</b>	<b>35,000</b>	<b>30,114</b>	<b>108,631</b>	<b>-</b>	<b>11,957</b>	<b>118,213</b>	<b>616,032</b>
Excess (Deficiency) of Revenues Over Expenditures	(38,529)	(18,073)	-	(33,993)	24,512	51,819	6	38,090	(118,135)	(94,303)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>										
Operating Transfers In	15,000	15,000	-	-	-	-	-	-	120,000	150,000
Operating Transfers (Out)	-	-	-	(1,000)	(15,000)	-	-	(20,000)	-	(36,000)
<b>Total Other Financing Sources (Uses):</b>	<b>15,000</b>	<b>15,000</b>	<b>-</b>	<b>(1,000)</b>	<b>(15,000)</b>	<b>-</b>	<b>-</b>	<b>(20,000)</b>	<b>120,000</b>	<b>114,000</b>
Net Change in Fund Balance	(23,529)	(3,073)	-	(34,993)	9,512	51,819	6	18,090	1,865	19,697
<b>FUND BALANCE, July 1, 2011</b>	<b>197,430</b>	<b>155,216</b>	<b>-</b>	<b>196,428</b>	<b>75,023</b>	<b>150,608</b>	<b>780</b>	<b>157,566</b>	<b>15,396</b>	<b>948,447</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$173,901</b>	<b>\$152,143</b>	<b>\$ -</b>	<b>\$161,435</b>	<b>\$ 84,535</b>	<b>\$202,427</b>	<b>\$ 786</b>	<b>\$175,656</b>	<b>\$ 17,261</b>	<b>\$ 968,144</b>

**CITY OF VENETA**  
**PARK AND RECREATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
<b><u>REVENUES:</u></b>				
Taxes and Assessments	\$ 139,368	\$ 139,368	\$ 144,346	\$ 4,978
State Revenue Sharing	35,253	35,253	38,959	3,706
Charges for Services	51,000	51,000	47,757	(3,243)
Investment Revenue	1,500	1,500	1,054	(446)
Miscellaneous Revenue	600	600	180	(420)
<b>Total Revenues</b>	<b>227,721</b>	<b>227,721</b>	<b>232,296</b>	<b>4,575</b>
<b><u>EXPENDITURES:</u></b>				
Personal Services	166,855	166,855	148,648	(18,207)
Materials and Services	81,328	96,328	86,491	(9,837)
Capital Outlay	17,900	18,100	9,481	(8,619)
Debt Service:				
Principal	24,780	24,780	24,780	-
Interest	1,425	1,425	1,425	-
Contingency	16,000	800	-	(800)
<b>Total Expenditures</b>	<b>308,288</b>	<b>308,288</b>	<b>270,825</b>	<b>(37,463)</b>
Excess (Deficiency) of Revenues Over Expenditures	(80,567)	(80,567)	(38,529)	42,038
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer In	15,000	15,000	15,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>-</b>
Net Change In Fund Balance	(65,567)	(65,567)	(23,529)	42,038
<b>FUND BALANCE, July 1, 2011</b>	<b>200,000</b>	<b>200,000</b>	<b>197,430</b>	<b>(2,570)</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 134,433</b>	<b>\$ 134,433</b>	<b>\$ 173,901</b>	<b>\$ 39,468</b>

**CITY OF VENETA**  
**PUBLIC WORKS EQUIPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For The Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Investment Revenue	\$ 200	\$ 200	\$ 791	591
<b>Total Revenues</b>	200	200	791	591
<b><u>EXPENDITURES:</u></b>				
Capital Outlay	25,000	25,000	18,864	(6,136)
<b>Total Expenditures</b>	25,000	25,000	18,864	(6,136)
Excess (Deficiency) of Revenues Over Expenditures	(24,800)	(24,800)	(18,073)	6,727
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer In	15,000	15,000	15,000	-
<b>Total Other Financing Sources (Uses)</b>	15,000	15,000	15,000	-
Net Change In Fund Balance	(9,800)	(9,800)	(3,073)	6,727
<b>FUND BALANCE, July 1, 2011</b>	150,000	150,000	155,216	5,216
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 140,200</b>	<b>\$ 140,200</b>	<b>\$ 152,143</b>	<b>\$ 11,943</b>

**CITY OF VENETA**

**911 AGENCY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
			<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note 1)</u>	<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 22,428	\$ (17,572)
<b>Total Revenues</b>	40,000	40,000	22,428	(17,572)
<b><u>EXPENDITURES:</u></b>				
Materials and Services	40,000	40,000	22,428	(17,572)
<b>Total Expenditures</b>	40,000	40,000	22,428	(17,572)
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-
<b>FUND BALANCE, July 1, 2011</b>	-	-	-	-
<b>FUND BALANCE, June 30, 2012</b>	\$ -	\$ -	\$ -	\$ -

**CITY OF VENETA**  
**BUSINESS ASSISTANCE GRANT/LOAN FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Investment Revenue	\$ 520	\$ 520	\$ 1,007	\$ 487
<b>Total Revenues</b>	520	520	1,007	487
<b><u>EXPENDITURES:</u></b>				
Materials and Services	102,100	102,100	35,000	(67,100)
<b>Total Expenditures</b>	102,100	102,100	35,000	(67,100)
Excess (Deficiency) of Revenues Over Expenditures	(101,580)	(101,580)	(33,993)	67,587
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer (Out)	(1,000)	(1,000)	(1,000)	-
<b>Total Other Financing Sources (Uses)</b>	(1,000)	(1,000)	(1,000)	-
Net Change In Fund Balance	(102,580)	(102,580)	(34,993)	67,587
<b>FUND BALANCE, July 1, 2011</b>	195,000	195,000	196,428	1,428
<b>FUND BALANCE, June 30, 2012</b>	<u>\$ 92,420</u>	<u>\$ 92,420</u>	<u>\$ 161,435</u>	<u>\$ 69,015</u>

**CITY OF VENETA**  
**ZUMWALT CAMPGROUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>	(Budgetary Basis) (See Note 1)	Positive (Negative)
<b><u>REVENUES:</u></b>				
Investment Revenue	\$ 200	\$ 200	\$ 396	\$ 196
Miscellaneous	100	100	470	370
Charges for Services	51,800	51,800	53,760	1,960
<b>Total Revenues</b>	<b>52,100</b>	<b>52,100</b>	<b>54,626</b>	<b>2,526</b>
<b><u>EXPENDITURES:</u></b>				
Materials and Services	37,000	37,000	30,114	(6,886)
Contingency	3,500	3,500	-	(3,500)
<b>Total Expenditures</b>	<b>40,500</b>	<b>40,500</b>	<b>30,114</b>	<b>(10,386)</b>
Excess (Deficiency) of Revenues Over Expenditures	11,600	11,600	24,512	12,912
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer (Out)	(15,000)	(15,000)	(15,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>-</b>
Net Change In Fund Balances	(3,400)	(3,400)	9,512	12,912
<b>FUND BALANCE, July 1, 2011</b>	<b>75,000</b>	<b>75,000</b>	<b>75,023</b>	<b>23</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 71,600</b>	<b>\$ 71,600</b>	<b>\$ 84,535</b>	<b>\$ 12,935</b>

**CITY OF VENETA**  
**PLANNING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For The Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
	<b>REVENUES:</b>			
Taxes and Assessments	\$ 150,347	\$ 150,347	\$ 153,956	\$ 3,609
Charges for Services	14,000	14,000	4,651	(9,349)
Investment Revenue	300	300	1,342	1,042
Miscellaneous Revenue	50	50	501	451
<b>Total Revenues</b>	<b>164,697</b>	<b>164,697</b>	<b>160,450</b>	<b>(4,247)</b>
<b>EXPENDITURES:</b>				
Personal Services	89,284	93,284	91,207	(2,077)
Materials and Services	88,373	88,373	17,424	(70,949)
Capital Outlay	1,100	1,100	-	(1,100)
Contingency	10,000	6,000	-	(6,000)
<b>Total Expenditures</b>	<b>188,757</b>	<b>188,757</b>	<b>108,631</b>	<b>(80,126)</b>
Excess (Deficiency) of Revenues Over Expenditures	(24,060)	(24,060)	51,819	75,879
<b>FUND BALANCE, July 1, 2011</b>	<b>180,000</b>	<b>180,000</b>	<b>150,608</b>	<b>(29,392)</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 155,940</b>	<b>\$ 155,940</b>	<b>\$ 202,427</b>	<b>\$ 46,487</b>

**CITY OF VENETA**

**GRANTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
			<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note 1)</u>	<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Investment Revenue	\$ -	\$ -	\$ 6	\$ 6
<b>Total Revenues</b>	-	-	6	6
<b><u>EXPENDITURES:</u></b>				
<b>Total Expenditures</b>	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	6	6
<b>FUND BALANCE, July 1, 2011</b>	500	500	780	280
<b>FUND BALANCE, June 30, 2012</b>	\$ 500	\$ 500	\$ 786	\$ 286

**CITY OF VENETA**  
**STORM WATER DRAINAGE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
<b><u>REVENUES:</u></b>				
Charges for Services	\$ 48,444	\$ 48,444	\$ 49,238	\$ 794
Investment Revenue	400	400	809	409
<b>Total Revenues</b>	<b>48,844</b>	<b>48,844</b>	<b>50,047</b>	<b>1,203</b>
<b><u>EXPENDITURES:</u></b>				
Personal Services	11,529	11,529	10,868	(661)
Materials and Services	6,238	6,238	1,089	(5,149)
Capital Outlay	900	900	-	(900)
Contingency	10,000	10,000	-	(10,000)
<b>Total Expenditures</b>	<b>28,667</b>	<b>28,667</b>	<b>11,957</b>	<b>(16,710)</b>
Excess (Deficiency) of Revenues Over Expenditures	20,177	20,177	38,090	17,913
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer (Out)	(20,000)	(20,000)	(20,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>-</b>
Net Change In Fund Balance	177	177	18,090	17,913
<b>FUND BALANCE, July 1, 2011</b>	<b>130,000</b>	<b>130,000</b>	<b>157,566</b>	<b>27,566</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 130,177</b>	<b>\$ 130,177</b>	<b>\$ 175,656</b>	<b>\$ 45,479</b>

**CITY OF VENETA**  
**INVERSE CONDEMNATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Investment Revenue	\$ 10	\$ 10	\$ 78	\$ 68
<b>Total Revenues</b>	10	10	78	68
<b><u>EXPENDITURES:</u></b>				
Materials and Services	100	100	-	(100)
Debt Service:				
Principal	82,750	82,750	81,985	(765)
Interest	36,500	36,500	36,228	(272)
<b>Total Expenditures</b>	119,350	119,350	118,213	(1,137)
Excess (Deficiency) of Revenues Over Expenditures	(119,340)	(119,340)	(118,135)	1,205
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer In	120,000	120,000	120,000	-
<b>Total Other Financing Sources (Uses)</b>	120,000	120,000	120,000	-
Net Change in Fund Balance	660	660	1,865	1,205
<b>FUND BALANCE, July 1, 2011</b>	3,000	3,000	15,396	12,396
<b>FUND BALANCE, June 30, 2012</b>	\$ 3,660	\$ 3,660	\$ 17,261	\$ 13,601

**Debt Service Funds**  
**(Major and Non-Major Funds)**

**CITY OF VENETA**

**DEBT SERVICE FUND (A Non-Major Fund)**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
	<b><u>REVENUES:</u></b>			
Taxes and Assessments	\$ 153,502	\$ 153,502	\$ 158,408	\$ 4,906
Investment Revenue	200	200	668	468
<b>Total Revenues</b>	153,702	153,702	159,076	5,374
<b><u>EXPENDITURES:</u></b>				
Debt Service				
Principal	146,380	146,380	139,160	(7,220)
Interest	55,854	55,854	54,893	(961)
<b>Total Expenditures</b>	202,234	202,234	194,053	(8,181)
Excess (Deficiency) of Revenues Over Expenditures	(48,532)	(48,532)	(34,977)	13,555
<b>FUND BALANCE, July 1, 2011</b>	111,000	111,000	175,835	64,835
<b>FUND BALANCE, June 30, 2012</b>	\$ 62,468	\$ 62,468	\$ 140,858	\$ 78,390

# CITY OF VENETA

## URBAN RENEWAL DEBT SERVICE FUND (A Major Fund) STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Positive (Negative)
<b><u>REVENUES:</u></b>				
Taxes	\$ 610,000	\$ 610,000	\$ 647,647	\$ 37,647
Investment Revenue	1,500	1,500	393	(1,107)
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>611,500</b>	<b>611,500</b>	<b>648,040</b>	<b>36,540</b>
<b><u>EXPENDITURES:</u></b>				
Debt Service				
Principal	765,082	765,082	565,000	(200,082)
Interest	116,000	116,000	115,956	(44)
Fees	1,950	1,950	425	(1,525)
Contingency			-	-
<b>Total Expenditures</b>	<b>883,032</b>	<b>883,032</b>	<b>681,381</b>	<b>(201,651)</b>
Excess (Deficiency) of Revenues Over Expenditures	(271,532)	(271,532)	(33,341)	238,191
<b>FUND BALANCE, July 1, 2011</b>	<b>292,000</b>	<b>292,000</b>	<b>307,319</b>	<b>15,319</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 20,468</b>	<b>\$ 20,468</b>	<b>\$ 273,978</b>	<b>\$ 253,510</b>

**Capital Projects Funds**  
**(Major and Non-Major Funds)**

**CITY OF VENETA**

**CAPITAL CONSTRUCTION - GOVERNMENTAL FUND (A Non-Major Fund)**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis) (See Note 1)	with Final Budget Positive (Negative)
<b><u>REVENUES:</u></b>				
Taxes and Assessments	\$ 97,223	\$ 97,223	\$ 57,007	\$ (40,216)
Investment Revenue	1,000	1,000	2,500	1,500
Miscellaneous Revenue	2,000	2,000	6,349	4,349
<b>Total Revenues</b>	<b>100,223</b>	<b>100,223</b>	<b>65,856</b>	<b>(34,367)</b>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer (Out)	(85,000)	(85,000)	(85,000)	-
Interfund Loan (Out)	85,000	85,000	85,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change In Fund Balance	100,223	100,223	65,856	(34,367)
<b>FUND BALANCE, July 1, 2011</b>	<b>394,500</b>	<b>394,500</b>	<b>408,093</b>	<b>13,593</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 494,723</b>	<b>\$ 494,723</b>	<b>\$ 473,949</b>	<b>\$ (20,774)</b>

**Reconciliation to Generally Accepted Accounting Principles Basis:**

Net Change in Fund Balance from Above	65,856
Interfund Loan Out	(85,000)
Change in Fund Balance as Reported in Governmental Fund Financial Statement of of Revenues, Expenditures, and Changes in Net Assets	<u>\$ (19,144)</u>

**CITY OF VENETA**

**CAPITAL PROJECTS FUND - NEW POOL (A Non-Major Fund)**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis) (See Note 1)	with Final Budget Positive (Negative)
<b><u>REVENUES:</u></b>				
Donations	\$ 500	\$ 500	\$ 1,700	\$ 1,200
<b>Total Revenues</b>	<b>500</b>	<b>500</b>	<b>1,700</b>	<b>1,200</b>
<b><u>EXPENDITURES:</u></b>				
Materials and Services	250	250	-	(250)
Capital Outlay	250	250	-	(250)
<b>Total Expenditures</b>	<b>500</b>	<b>500</b>	<b>-</b>	<b>(500)</b>
Excess (Deficiency) of Revenues Over Expenditures	-	-	1,700	1,700
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Operating Transfer In	85,000	85,000	85,000	-
Interfund Loan Payments	(85,000)	(85,000)	(85,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change In Fund Balance	-	-	1,700	1,700
<b>FUND BALANCE, July 1, 2011</b>	<b>118</b>	<b>118</b>	<b>118</b>	<b>-</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 118</b>	<b>\$ 118</b>	<b>\$ 1,818</b>	<b>\$ 1,700</b>

**Reconciliation to Generally Accepted Accounting Principles Basis:**

Net Change in Fund Balance from Above	1,700
Interfund Loan Payment	85,000
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	<u>\$ 86,700</u>

**CITY OF VENETA**

**CAPITAL PROJECTS FUND - W. BROADWAY DEVELOPMENT (A Major Fund)**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**For The Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
			<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note 1)</u>	<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Investment Revenue	\$ 1	\$ 1	\$ 228	\$ 227
Grants	1,750,000	1,750,000	35,237	(1,714,763)
Miscellaneous Revenue	\$ 99,000	\$ 99,000	\$ 71,500	\$ (27,500)
<b>Total Revenues</b>	<b>1,849,001</b>	<b>1,849,001</b>	<b>106,965</b>	<b>(1,742,036)</b>
<b><u>EXPENDITURES:</u></b>				
Materials and Services	197,310	210,860	70,810	(140,050)
Capital Outlay	1,639,000	1,625,450	-	(1,625,450)
<b>Total Expenditures</b>	<b>1,836,310</b>	<b>1,836,310</b>	<b>70,810</b>	<b>(1,765,500)</b>
Excess (Deficiency) of Revenues Over Expenditures	12,691	12,691	36,155	23,464
<b>FUND BALANCE, July 1, 2011</b>	<b>500</b>	<b>500</b>	<b>27,033</b>	<b>26,533</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ 13,191</b>	<b>\$ 13,191</b>	<b>\$ 63,188</b>	<b>\$ 49,997</b>

**Additional Supporting**  
**Schedules**

**CITY OF VENETA**

**SCHEDULE OF PROPERTY TAXES**

**For The Fiscal Year Ended June 30, 2012**

	General Fund Permanent Rate Tax, Subject to	Bonds After Measure 5	Bonds Before Measure 5	Total
Assessed Valuation, 2011-12 Tax Roll	\$216,911,901	\$ 255,263,644	\$216,911,901	
General Fund Permanent Rate Levy, Per \$1,000	0.0056364	-	-	
General Obligation Bond Levy Rate, Per \$1,000	-	-	0.0004540	
General Obligation Bond Levy Rate, Per \$1,000 (Pool)	-	0.0002403	-	
Amount Levy Rates Will Raise	1,222,602	61,340	98,478	1,382,420
Gain From UR Division of Tax Rate Truncation	9	-	3	12
Loss Due to Measure 5 Compression	(9,985)	-	-	(9,985)
Roll Corrections & Omitted Property	-	-	768	768
Net Tax Levy Imposed	<u>\$ 1,212,626</u>	<u>\$ 61,340</u>	<u>\$ 99,249</u>	<u>\$ 1,373,215</u>
		Collector's Adjustment		
	Uncollected Balance July 1, 2011	& Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2012
2011-12	\$ 1,373,215	\$ (76,209)	\$ 1,252,076	\$ 44,930
2010-11	38,097	39,588	52,605	25,080
2009-10	18,492	213	2,906	15,799
2008-09	9,395	525	5,910	4,010
2007-08	3,150	395	2,329	1,216
2006-07	982	(54)	220	708
2005-06 & Prior	5,969	(678)	153	5,138
<b>Total Cash Collections</b>	<u>\$ 1,449,300</u>	<u>\$ (36,220)</u>	<u>\$ 1,316,199</u>	<u>\$ 96,881</u>
Less Accrued Revenue - June 30, 2011			(4,659)	
Add Accrued Revenue - June 30, 2012			7,042	
<b>Total Property Tax Revenue</b>			<u>\$ 1,323,215</u>	
Property Tax Revenues & Receivables by Fund:	Property Tax Revenues			
	Prior	Current	Totals	Receivables
General Fund	\$ 3,220	\$ 195,118	\$ 198,338	\$ 15,849
Debt Service Fund	1,982	156,093	158,075	9,862
Law Enforcement Fund	11,354	650,392	661,746	52,257
Parks & Recreation Fund	1,491	142,695	144,186	7,700
Planning Fund	2,545	151,411	153,956	11,213
<b>TOTALS</b>	<u>\$ 20,592</u>	<u>\$ 1,295,709</u>	<u>\$ 1,316,301</u>	<u>\$ 96,881</u>

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**  
**(A COMPONENT UNIT OF THE CITY OF VENETA)**

**SCHEDULE OF PROPERTY TAXES**

**For The Fiscal Year Ended June 31, 2012**

	Uncollected Balance July 1, 2011	Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2012
2011-12	\$ 655,130	\$ (19,930)	\$ 613,195	\$ 22,005
2010-11	18,904	19,416	25,876	12,444
2009-10	10,179	116	1,598	8,697
2008-09	5,182	277	3,247	2,212
2007-08	1,659	207	1,226	640
2006-07	542	(30)	121	391
2005-06 & Prior	4,341	(464)	71	3,806
<b>Total Property Taxes</b>	<b>\$ 695,937</b>	<b>\$ (408)</b>	<b>\$ 645,334</b>	<b>\$ 50,195</b>
Less Accrued Revenue - June 30, 2011			(2,350)	
Add Accrued Revenue - June 30, 2012			3,586	
<b>Total Property Tax Revenue</b>			<b>\$ 646,570</b>	
Current Year Property Tax Revenues:	Prior	Current	Total	
Urban Renewal Debt Service Fund	\$ 13,836	\$ 633,811	\$ 647,647	
<b>TOTALS</b>	<b>\$ 13,836</b>	<b>\$ 633,811</b>	<b>\$ 647,647</b>	

**CITY OF VENETA**

**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**

**For the Fiscal Year Ended June 30, 2012**

	Outstanding Balance July 1, 2011	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2012	Due within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>Note Payable To Siuslaw Bank for the acquisition of land</b>					
Original Balance: \$925,000					
Dated: January 15, 2009					
Interest Rate: 4.95%					
Principal	\$ 754,255	\$ -	\$ 81,985	\$ 672,270	\$ 86,022
Interest	-	36,228	36,228	-	32,191
Totals	\$ 754,255	\$ 36,228	\$ 118,213	\$ 672,270	\$ 118,213
<b>Note Payable To Siuslaw Bank for financing of local improvements to be retired by assessment</b>					
Original Balance: \$223,502					
Dated: June 18, 2009					
Interest Rate: 5.75%					
Principal	\$ 210,727	\$ -	\$ 7,281	\$ 203,446	\$ 7,287
Interest	-	11,790	11,790	-	11,784
Totals	\$ 210,727	\$ 11,790	\$ 19,071	\$ 203,446	\$ 19,071
<b>Note Payable To St. Catherine of Siena Catholic Church for the acquisition of real property</b>					
<i>Governmental Fund portion of debt is 69.85%, reported here.</i>					
<i>Balance is reported in Business-Type Activities Debt section</i>					
Original Balance: \$238,500					
Dated: July 28, 2009					
Interest Rate: 5.75%					
Principal	\$ 41,648	\$ -	\$ 41,648	\$ -	\$ -
Interest	-	2,395	2,395	-	-
Totals	\$ 41,648	\$ 2,395	\$ 44,043	\$ -	\$ -
<b>Urban Renewal Bonds, Series 2001 issued for the purpose of financing various urban renewal projects</b>					
Original Balance: \$3,360,000					
Dated: December 2000					
Interest Rate: Varies 3.90% - 5.675%					
Principal	\$ 2,100,000	\$ -	\$ 165,000	\$ 1,935,000	\$ 175,000
Interest	-	115,850	115,850	-	106,981
Totals	\$ 2,100,000	\$ 115,850	\$ 280,850	\$ 1,935,000	\$ 281,981
<b>General Obligation Water Bonds held by CAPMARK for Water System Construction</b>					
Original Balance: \$1,000,000					
Dated: August 25, 1981					
Interest Rate: 5.00%					
Principal	\$ 213,806	\$ -	\$ 109,160	\$ 104,646	\$ 65,380
Interest	-	7,931	7,931	-	4,944
Totals	\$ 213,806	\$ 7,931	\$ 117,091	\$ 104,646	\$ 70,324
<b>General Obligation Bonds held by U.S. National Bank for construction of a new swimming pool facility</b>					
Original Balance: \$1,100,000					
Dated: February 12, 2010					
Interest Rate: 4.45%					
Principal	\$ 1,070,000	\$ -	\$ 30,000	\$ 1,040,000	\$ 33,000
Interest	-	46,962	46,962	-	46,280
Totals	\$ 1,070,000	\$ 46,962	\$ 76,962	\$ 1,040,000	\$ 79,280
<b>TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:</b>					
Principal	\$ 4,390,436	\$ -	\$ 435,074	\$ 3,955,362	\$ 366,688
Interest	-	221,156	221,156	-	202,180
Totals	\$ 4,390,436	\$ 221,156	\$ 656,230	\$ 3,955,362	\$ 568,869

Continued

**CITY OF VENETA**

**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS (Continued)**

**For the Fiscal Year Ended June 30, 2012**

	Outstanding Balance July 1, 2011	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2012	Due within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>Note Payable with DEQ for Sewer System</b>					
Original Balance: \$1,033,420					
Dated: August 14, 2000					
Interest Rate: 3.43%					
Principal	\$ 112,027	\$ -	\$ 10,824	\$ 101,203	\$ 11,198
Interest	-	3,597	3,597	-	3,376
Totals	\$ 112,027	\$ 3,597	\$ 14,421	\$ 101,203	\$ 14,574
<b>Revenue Bonds held by USDA Rural Development for Sewer System Improvements</b>					
Original Balance: \$4,255,700					
Dated August 8, 2000					
Interest Rate - 4.50%					
Sinking Fund Requirement - \$231,298					
Principal	\$ 3,766,733	\$ -	\$ 61,795	\$ 3,704,938	\$ 64,576
Interest	-	167,020	167,020	-	166,722
Totals	\$ 3,766,733	\$ 167,020	\$ 228,815	\$ 3,704,938	\$ 231,298
<b>Note Payable To St. Catherine of Siena Catholic Church for the acquisition of real property</b>					
<i>Business-Type Fund portion of debt is 30.15%, reported here. Balance is reported in Governmental Activities Debt section</i>					
Original Balance: \$238,500					
Dated July 28, 2009					
Interest Rate - 5.75%					
Principal	\$ 17,977	\$ -	\$ 17,977	\$ -	\$ -
Interest	-	-	-	-	-
Totals	\$ 17,977	\$ -	\$ 17,977	\$ -	\$ -
<b>Note Payable to Siuslaw Bank for acquisition of property</b>					
Original Balance: \$362,590					
Dated: December 15, 2011					
Interest Rate - 3.475%					
Principal	\$ -	\$ 362,590	\$ 15,826	\$ 346,764	\$ 31,378
Interest	-	6,941	6,941	-	11,964
Totals	\$ -	\$ 369,531	\$ 22,767	\$ 346,764	\$ 43,342
<b>TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:</b>					
Principal	\$ 3,896,737	\$ 362,590	\$ 106,422	\$ 4,152,905	\$ 107,152
Interest	-	177,558	177,558	-	182,062
Totals	\$ 3,896,737	\$ 540,148	\$ 283,980	\$ 4,152,905	\$ 289,214
<b>TOTAL DEBT AGREEMENTS:</b>					
Principal	\$ 8,287,173	\$ 362,590	\$ 541,496	\$ 8,108,267	\$ 473,840
Interest	-	398,714	398,714	-	384,242
Totals	\$ 8,287,173	\$ 761,304	\$ 940,210	\$ 8,108,267	\$ 858,083

**CITY OF VENETA**  
**SCHEDULE OF FUTURE REQUIREMENTS FOR**  
**RETIREMENT OF LONG-TERM DEBT**

**For the Fiscal Year Ended June 30, 2012**

	Fiscal Year Ended June 30,	Sinking Fund Require- ment	Total Payment	Principal	Interest	Fiscal Year- end Balance
<b><u>Governmental Activities</u></b>						
Note payable to Siuslaw Bank for the purchase of land	2013	-	118,213	86,022	32,191	586,248
- Original Balance \$925,000	2014	-	118,213	90,421	27,792	495,828
	2015	-	118,213	95,045	23,168	400,783
	2016	-	118,213	99,860	18,352	300,922
	2017	-	118,213	105,012	13,200	195,910
	2018	-	118,213	110,383	7,830	85,528
	2019	-	88,369	85,528	2,841	-
<b>Totals</b>		-	797,644	672,270	125,374	
Note Payable To Siuslaw Bank for financing of local improvements to be retired by assessment	2013	-	19,071	7,287	11,784	196,159
- Original Balance \$223,502	2014	-	19,071	7,718	11,353	188,442
	2015	-	19,071	8,174	10,897	180,267
	2016	-	19,071	8,630	10,441	171,638
	2017	-	19,071	9,168	9,903	162,470
	2018	-	19,071	9,710	9,361	152,759
	2019	-	19,071	10,285	8,786	142,475
	2020	-	19,071	10,871	8,200	131,604
	2021	-	19,071	11,536	7,535	120,067
	2022	-	19,071	12,218	6,852	107,849
	2023	-	19,071	12,941	6,130	94,908
	2024	-	19,071	13,692	5,379	81,216
	2025	-	19,071	14,516	4,554	66,699
	2026	-	19,071	15,375	3,696	51,324
	2027	-	19,071	16,284	2,786	35,040
	2028	-	19,071	17,243	1,828	17,796
	2029	-	19,071	17,796	839	-
<b>Totals</b>		-	324,205	203,446	120,324	
Urban Renewal Bonds, Series 2001 issued to finance various urban renewal projects	2013	-	281,981	175,000	106,981	1,760,000
- Original Balance \$3,360,000	2014	-	277,575	180,000	97,575	1,580,000
	2015	-	277,900	190,000	87,900	1,390,000
	2016	-	277,688	200,000	77,688	1,190,000
	2017	-	281,938	215,000	66,938	975,000
	2018	-	279,844	225,000	54,844	750,000
	2019	-	277,188	235,000	42,188	515,000
	2020	-	278,969	250,000	28,969	265,000
	2021	-	279,906	265,000	14,906	-
<b>Totals</b>		-	2,512,988	1,935,000	577,988	
General Obligation Water Bonds held by CAPMARK for Water System Construction	2013	-	70,324	65,380	4,944	39,266
- Original Balance \$1,000,000	2014	-	40,914	39,266	1,648	-
<b>Totals</b>		-	111,238	104,646	6,592	

Continued

**CITY OF VENETA**  
**SCHEDULE OF FUTURE REQUIREMENTS FOR**  
**RETIREMENT OF LONG-TERM DEBT (Continued)**

**For the Fiscal Year Ended June 30, 2011**

	Fiscal Year Ended June 30,	Sinking Fund Require- ment	Total Payment	Principal	Interest	Fiscal Year- end Balance
General Obligation Bonds held by U.S. National Bank for construction of a new swimming pool facility - Original Balance \$1,100,000	2013	-	79,280	33,000	46,280	1,007,000
	2014	-	80,812	36,000	44,812	971,000
	2015	-	81,210	38,000	43,210	933,000
	2016	-	84,519	43,000	41,519	890,000
	2017	-	86,605	47,000	39,605	843,000
	2018	-	87,514	50,000	37,514	793,000
	2019	-	89,289	54,000	35,289	739,000
	2020	-	90,886	58,000	32,886	681,000
	2021	-	93,305	63,000	30,305	618,000
	2022	-	92,501	65,000	27,501	553,000
	2023	-	91,609	67,000	24,609	486,000
	2024	-	94,627	73,000	21,627	413,000
	2025	-	93,379	75,000	18,379	338,000
	2026	-	94,041	79,000	15,041	259,000
	2027	-	93,526	82,000	11,526	177,000
	2028	-	94,877	87,000	7,877	90,000
	2029	-	94,005	90,000	4,005	-
<b>Totals</b>		-	<b>1,521,980</b>	<b>1,040,000</b>	<b>481,980</b>	
<b>Business-Type Activities</b>						
Note Payable with DEQ for Sewer System Improvements - Original Balance \$1,033,420	2013	-	14,574	11,198	3,376	90,005
	2014	-	14,574	11,585	2,989	78,420
	2015	-	14,574	11,986	2,588	66,434
	2016	-	14,574	12,401	2,173	54,033
	2017	-	14,574	12,829	1,745	41,204
	2018	-	14,574	13,273	1,301	27,931
	2019	-	14,574	13,733	841	14,198
	2020	-	14,564	14,198	366	-
<b>Totals</b>			<b>\$ 116,582</b>	<b>\$ 101,203</b>	<b>\$ 15,379</b>	
Note Payable with USDA Rural Development for Sewer System Improvements - Original Balance \$4,255,700	2013	231,298	231,298	64,576	166,722	3,640,362
	2014	231,298	231,298	67,482	163,816	3,572,880
	2015	231,298	231,298	70,518	160,780	3,502,362
	2016	231,298	231,298	73,692	157,606	3,428,670
	2017	231,298	231,298	77,008	154,290	3,351,662
	2018	231,298	231,298	80,473	150,825	3,271,189
	2019	231,298	231,298	84,094	147,204	3,187,095
	2020	231,298	230,998	87,579	143,419	3,099,516
	2021	231,298	231,298	91,833	139,465	3,007,683
	2022	231,298	231,298	95,966	135,332	2,911,717
	2023	231,298	231,298	100,284	131,014	2,811,433
	2024	231,298	231,298	104,797	126,501	2,706,636
	2025	231,298	231,271	109,513	121,758	2,597,123
	2026	231,298	231,298	114,441	116,857	2,482,682
	2027	231,298	231,298	119,591	111,707	2,363,091
	2028	231,298	231,298	124,972	106,326	2,238,119
	2029	231,298	231,298	130,596	100,702	2,107,523
	2030	231,298	231,298	136,473	94,825	1,971,050
	2031	231,298	231,298	142,614	88,684	1,828,436
	2032	231,298	231,297	149,031	82,266	1,679,405
	2033	231,298	231,298	155,738	75,560	1,523,667
	2034	231,298	231,299	162,747	68,552	1,360,920
	2035	231,298	231,298	170,070	61,228	1,190,850
	2036	231,298	231,298	177,723	53,575	1,013,127
	2037	231,298	231,298	185,721	45,577	827,406
	2038	231,298	231,298	194,078	37,220	633,328
	2039	231,298	231,298	202,812	28,486	430,516
	2040	231,298	231,298	211,938	19,360	218,578
	2041	231,298	228,400	218,578	9,822	-
<b>Totals</b>			<b>\$ 6,704,417</b>	<b>\$ 3,704,938</b>	<b>\$ 2,999,479</b>	
Note Payable to Siuslaw Bank for acquisition of real property - Original Balance: \$362,590	2013	-	43,342	31,378	11,964	315,386
	2014	-	43,342	32,493	10,849	282,893
	2015	-	43,342	33,648	9,694	249,245
	2016	-	43,343	34,822	8,521	214,423
	2017	-	43,342	36,082	7,260	178,341
	2018	-	43,342	37,364	5,978	140,977
	2019	-	43,342	38,692	4,650	102,285
	2020	-	43,342	40,059	3,283	62,226
	2021	-	43,342	41,491	1,851	20,735
	2022	-	21,111	20,735	376	0
<b>Totals</b>			<b>\$ 411,190</b>	<b>\$ 346,764</b>	<b>\$ 64,426</b>	

**ACCOMPANYING**  
**INFORMATION**

**CITY OF VENETA**  
**AUDITOR'S COMMENTS AND DISCLOSURES**  
**REQUIRED BY STATE REGULATION**  
**As of June 30, 2012**

---

To the Governing Body of the City of Veneta  
Veneta, Oregon

Oregon Administrative Rule (OAR) 162-010-0120 requires certain other financial information considered necessary for full disclosure of the fiscal affairs of Oregon Municipal corporations. That financial information is set forth in OAR 162-010-0130 through 162-010-0190. The basic financial statements, notes to the financial statements, and supplementary information as listed in the table of contents, provide that information.

Oregon Administrative Rule (OAR) 162-010-0200 requires comments and disclosures relating to our audit of the City's fiscal affairs and compliance with legal requirements as set forth in OAR 162-010-0210 through 162-010-0320. We performed procedures, which may have included samples of transactions, to obtain sufficient audit evidence to support the comments that follow:

**ACCOUNTING RECORDS AND INTERNAL CONTROL:**

The City's accounting records were in satisfactory condition for audit purposes.

As part of my examination of the financial statements, I obtained an understanding of the accounting system and the internal controls incorporated into that system. The purpose of understanding the accounting system and its controls is to assist in planning the nature and scope of my examination. The process involved in obtaining an understanding of the system is more limited than a study and evaluation necessary to express an opinion on the internal control system as a whole. Accordingly, I do not express an opinion on the system of internal control.

As part of my audit of the basic financial statements, and as required by *Governmental Auditing Standards*, I tested on a limited basis internal controls of the City and adjusted the nature and extent of other auditing procedures as deemed necessary. Although the City's system of internal control is somewhat limited by the number of administrative personnel available, my study did not disclose any conditions which I considered to be a deficiency in the internal controls.

Management has been provided with a separate letter containing certain items I noted during the audit.

**COLLATERAL:**

ORS 295 requires deposits with financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation be held at qualifying institutions under the Public Funds Collateralization Program and that public officials provide the Office of the Oregon State Treasurer with the names of all bank depositories in which the City currently deposits public funds.

The City has complied with the provisions of ORS 295 as it pertains to the collateralization of public funds.

**CITY OF VENETA**  
**AUDITOR'S COMMENTS AND DISCLOSURES**  
**REQUIRED BY STATE REGULATION (Continued)**  
**As of June 30, 2012**

---

**INDEBTEDNESS:**

The City has not exceeded its legal debt limitation as provided by ORS 287A.050. The City was in compliance with all debt covenants and all payments were made on a timely basis.

**BUDGET:**

Minutes and resolutions of the Budget Committee and City Council were reviewed for compliance of Oregon Budget Law in preparation, adoption and execution of the current year's budget and preparation and adoption of the ensuing year's budget. I found no instances of non-compliance of Oregon Budget Law by the City for the 2011-12 fiscal year or in preparation and adoption of the 2012-13 budget.

**INVESTMENTS:**

The City is in compliance with legal requirements of ORS 294 pertaining to investment of public funds.

**INSURANCE AND FIDELITY BONDS:**

I have examined the City's fidelity bonds and insurance coverage at June 30, 2012 and ascertained that such policies appeared to be in force as of that date and appeared to comply with the legal requirements. I recommend periodic review of insurance by qualified individuals, as I do not possess expertise in this area.

**PUBLIC CONTRACTING:**

The City complied with the requirements of ORS 279 by making every effort to construct public improvements at the least cost to the public agency. Adequate bids and quotes were obtained for all required contracts and purchases.

**PROGRAMS FUNDED FROM OUTSIDE SOURCES:**

During the fiscal year, the City complied with all appropriate laws, rules, and regulations pertaining to programs funded by the federal government and the State of Oregon. In accordance with *Governmental Auditing Standards*, I issued a report on my consideration of the City of Veneta's compliance and internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

**CITY OF VENETA**  
**AUDITOR'S COMMENTS AND DISCLOSURES**  
**REQUIRED BY STATE REGULATION (Continued)**  
**As of June 30, 2012**

---

**HIGHWAY FUNDS:**

Based on my review of expenditures of monies received from the State of Oregon for road and highway construction, I am not aware of any instances of noncompliance with respect to Article IX, section 3(a) of the Oregon Constitution, pertaining to the use of receipts from taxes on motor vehicle use fuel. Furthermore, I am not aware of any noncompliance with respect to ORS 294, 368, and 373, pertaining to the use of road funds. My review procedures related to the highway funds included examining on a test basis, documents supporting expenditures in the City's Street Fund.

**STATEMENT OF ACCOUNTABILITY FOR INDEPENDENTLY ELECTED OFFICIALS:**

This statement is not applicable to the City.

Steven L. Tuchscherer, CPA  
Steve Tuchscherer, CPA, PC

Roseburg, Oregon  
November 15, 2012



**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**

Honorable Mayor and City Council  
City of Veneta, Oregon

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Veneta, as of and for the year ended June 30, 2012, which collectively comprise City of Veneta's basic financial statements and have issued my report thereon dated November 15, 2012. I conducted my 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.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered the City of Veneta's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Veneta's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Veneta's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

I noted certain other matters that I reported to management of the City of Veneta in a separate letter dated November 15, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Steve Tuchscherer, CPA  
November 15, 2012