

City of Veneta



VENETA, OREGON

Audit Report

June 30, 2013

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 th Street, Veneta, Oregon 97487	Ex-Mayor
SANDRA LARSON (Appointed July 23, 2012) 25456 E. Hunter Road, Veneta, Oregon 97487	Mayor
THOMAS COTTER 88098 Huston 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
BRITTANY BOOTHE 24781 Dunham Avenue, Veneta, Oregon 97487	Council Member
THOMAS LAING (Sworn in January 14, 2013) PO Box 1304, Veneta, Oregon 97487	Council Member
VICTORIA HEDENSTROM (Sworn in January 14, 2013). 25206 Irenic Drive, Veneta, Oregon 97487	Council Member

CITY ADMINISTRATION

R. RIC INGHAM PO Box 458, Veneta, OR 97487	City Administrator
SHAUNA HARTZ PO Box 458, Veneta, OR 97487	Finance Director

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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 the City of Veneta as of and for the year ended June 30, 2013 which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 City of Veneta as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

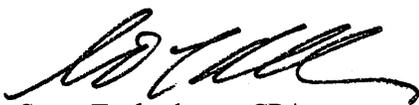
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Veneta's basic financial statements. The combining and individual non-major fund financial statements and additional supporting schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Veneta.

The combining and individual non-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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other schedules listed in the table of contents as Other Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of the City of Veneta's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Veneta's internal control over financial reporting and compliance.



Steve Tuchscherer, CPA
December 12, 2013

MANAGEMENT'S DISCUSSION
AND ANALYSIS

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013
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, 2013. 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 \$41,789,420 (net position), an increase of \$2,289,378 from June 30, 2012. Of this amount only (\$374,835 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ Net position increased for governmental activities by \$1,986,602 or 10.17 percent from June 30, 2012, the result of the assets increasing and the liabilities decreasing by \$376,530. Net position also increased for business-type activities by \$302,776, an increase of 1.51 percent from June 30, 2012, again both assets and liabilities increased; however, the assets increased a greater amount.
- ❖ As of the close of FY2013, the City of Veneta's governmental funds reported combined ending fund balances of \$6,487,144, an increase of \$654,484 from the prior year. Approximately 12.15 percent of the total amount, \$788,722, is available for spending at the City Council's discretion (unassigned fund balance).
- ❖ Total governmental activities debt decreased by \$528,275 or 13.35 percent during the FY 2013. Excluding the interim financing the total business-type activities debt also decreased by 4.75 percent. The decrease resulted from the early payoff of the loan carried by the Department of Environmental Quality

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

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

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013
Unaudited

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.

Further explanation of these statements can be found in the NOTES TO THE BASIC FINANCIAL STATEMENTS, Section 1. (B) and 1. (C).

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.

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013
Unaudited

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.

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 position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$41,789,420 at the close of fiscal year 2013.

By far the largest portion of the City of Veneta's net position (87.94 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 must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF VENETA
Summary of Net Position

	Governmental Activities		Business-type Activities		Total		Variance	Variance
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	Dollars	%
Cash and investments	\$ 6,414,089	\$ 6,376,952	\$ 7,509,694	\$ 6,502,544	\$ 13,923,783	\$ 12,879,496	\$ 1,044,287	0.0811
Other assets	\$ 1,162,454	\$ 481,508	\$ 895,155	\$ 621,872	\$ 2,057,609	\$ 1,103,380	\$ 954,229	0.8648
Capital assets	\$ 18,319,083	\$ 17,382,748	\$ 25,781,367	\$ 17,439,292	\$ 44,100,450	\$ 34,822,040	\$ 9,278,410	0.2665
Total Assets	25,895,626	24,241,208	34,186,216	24,563,708	60,081,842	48,804,916	11,276,926	0.2311
Current liabilities	\$ (1,209,515)	\$ (1,124,563)	\$ (9,970,453)	\$ (545,903)	\$ (11,179,968)	\$ (1,670,466)	\$ (9,509,502)	5.6927
Non-current liabilities	\$ (3,127,192)	\$ (3,588,674)	\$ (3,855,791)	\$ (4,045,734)	\$ (6,982,983)	\$ (7,634,408)	\$ 651,425	-0.0853
Total Liabilities	(4,336,707)	(4,713,237)	(13,826,244)	(4,591,637)	(18,162,951)	(9,304,874)	(8,858,077)	0.9520
Deferred Inflows	\$ 44,345	\$ -	\$ 85,125	\$ -	\$ 129,470	\$ -	\$ 129,470	-
Net Position:								
Invested in capital assets net of related debt	14,891,996	13,427,386	21,825,582	13,286,386	36,717,578	26,713,772	10,003,806	0.3745
Restricted for:								
Debt Service	\$ 942,457	\$ 571,243	\$ 231,298	\$ 231,298	\$ 1,173,755	\$ 802,541	\$ 371,214	0.4625
Capital Projects	\$ 341,668	\$ 381,184	\$ 3,181,484	\$ 3,059,699	\$ 3,523,152	\$ 3,440,883	\$ 82,269	0.0239
Unrestricted	\$ 5,338,452	\$ 5,148,158	\$ (4,963,517)	\$ 3,394,688	\$ 374,935	\$ 8,542,846	\$ (8,167,911)	-0.9561
Total Net Position	21,514,573	19,527,971	20,274,847	19,972,071	41,789,420	39,500,042	2,289,378	5.80%

An additional portion of the City of Veneta's net position (11.24 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$374,935) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
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At the end of the current fiscal year, the City of Veneta is able to report positive balances in all three categories of net position, 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. The restricted net position increased in connection with both the City of Veneta' governmental-type and business-type activities. The increases were \$331,698 and \$121,785 respectively.

During the current fiscal year the government's net position increased by \$2,289,378.

Governmental activities. Governmental activities increased the City of Veneta's net position by \$1,986,602 thereby accounting for 86.77 percent of the total growth in net position of the City of Veneta. The increase is largely attributed to the receivable recorded for \$642,466 that represents the work done on the Fern Ridge Service Center that has not yet been reimbursed to the City by the Community Development grant and to the reduction in short and long-term debt which is the result of paying off loans and making extra principal payments. Other noteworthy items appear immediately following the "Changes in Net Position" chart.

CITY OF VENETA									
Changes in Net Position									
	Governmental Activities		Business-type Activities		Total		Variance		
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	Dollars	%	
Revenues									
Program Revenues:									
Capital grants & contributions	\$ 1,041,675	\$ 36,937	\$ (183,699)	\$ -	\$ 857,976	\$ 36,937	\$ 821,039	22.23	
Operating grants	5,612	15,338	-	-	5,612	15,338	(9,726)	-0.63	
Charges for services	465,020	316,661	1,926,291	1,710,616	2,391,311	2,027,277	364,034	0.18	
Total Program Revenues	1,512,307	368,936	1,742,592	1,710,616	3,254,899	2,079,552	1,175,347	0.57	
General Revenues:									
Property taxes, franchise and public service tax	2,759,402	2,713,407	-	-	2,759,402	2,713,407	45,995	0.02	
Interest & invest earnings	30,995	27,324	40,003	34,246	70,998	61,570	9,428	0.15	
Interfund Transfers	-	(540,000)	-	540,000	-	-	-	0.00	
Other	126,848	307,372	-	-	126,848	307,372	(180,524)	-0.59	
Total General Revenues	2,917,245	2,508,103	40,003	574,246	2,957,248	3,082,349	(125,101)	-0.04	
Total Revenues	4,429,552	2,877,039	1,782,595	2,284,862	6,212,147	5,161,901	1,050,246	0.20	
Expenses:									
General government	1,030,631	924,543			1,030,631	924,543	106,088	0.12	
Public safety	739,881	748,122			739,881	748,122	(8,241)	-0.01	
Highways & streets	315,247	205,759			315,247	205,759	109,488	0.53	
Culture & recreation	225,727	265,253			225,727	265,253	(39,526)	-0.15	
Interest on debt	215,242	288,167	176,314	177,558	391,556	465,725	(74,169)	-0.16	
Water			555,353	634,375	555,353	634,375	(79,022)	-0.13	
Sewer			664,374	717,130	664,374	717,130	(52,756)	-0.07	
Total Expenses	2,526,728	2,431,844	1,396,041	1,529,063	3,922,769	3,960,907	(38,138)	-0.01	
Net Assets:									
Change in net assets before special items	1,902,824	445,195	386,554	755,799	2,289,378	1,200,994	1,088,384	0.91	
Gain/Loss on Disposition of Assets	-	(3,072)	-	(2,217)	-	(5,289)	5,289	-1.00	
Interfund transfers	110,000	-	(110,000)	-	-	-	-	0.00	
Equity transfer	(26,222)	-	26,222	-	-	-	-	0.00	
Contributed capital	-	486,828	-	-	-	486,828	(486,828)	-1.00	
Change in net assets	1,986,602	928,951	302,776	753,582	2,289,378	1,682,533	606,845	0.36	
Net Assets Beginning	19,527,971	18,599,020	19,972,071	19,218,489	39,500,042	37,817,509	1,682,533	0.04	
Net Assets Ending	\$ 21,514,573	\$ 19,527,971	\$ 20,274,847	\$ 19,972,071	\$ 41,789,420	\$ 39,500,042	\$ 2,289,378	0.06	

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013
Unaudited

- ❖ Property taxes collections increased \$45,995 from fiscal year 2011-12.
- ❖ Grant revenue increased significantly because money spent on building the Fern Ridge Service Center is being reimbursed through a Community Development Block Grant of \$1,500,000.

Overall the total revenue increased from last year largely the result of the increases mentioned above coupled with an increase in building related activity and the periodic utility rate increases.

Governmental operating expenditures increased in an amount that closely paralleled inflation and growth in service demand. The noteworthy exceptions were the City of Veneta's materials and services expenditure classification. \$168,000 was spent on street overlays and other rehabilitation work compared to \$5,600 in FY2012 and an additional principal payment of \$120,000 was made on the Inverse Condemnation loan.

Business-type activities: Business-type activities increased the City of Veneta's net position by \$302,776, accounting for 13.22 percent of the total growth in the City's net position. 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 \$1,926,291 compared to last year's amount of \$1,710,616.
- ❖ The City incurred \$8,982,846 in interim debt and recorded retainage payable of \$411,978 related to construction of the water pipeline.

Operating expenses in the Water fund, as defined in the Statement of Changes in Net Position, decreased 12.45 percent compared to the previous fiscal year.

The Sewer fund experienced a decrease of about 7% 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 Sewer Fund \$51,590 worth of Inflow and Infiltration work was done fiscal year 2011-2012 compared to \$13,655 in fiscal year 2012-2013.

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 \$6,487,144, an increase of \$654,484 in comparison with the prior year. Approximately 12.15 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 (\$1,284,125); future capital projects (\$829,767), and for other identified purposes (\$3,584,530).

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 \$788,722. 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 \$219,987.

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013
Unaudited

During the current the City's general fund balance increased by \$50,018. Key factors in this growth are as follows:

- ❖ An increase of \$88,395 in the amount of building related permit revenue received.
- ❖ The City recognized about \$11,000 in other revenue that it did not receive in FY11-12.

In the Law Enforcement Fund, the fund balance increased by \$7,119. The fund balance of \$508,018 is ample for covering expenditures well into the next fiscal year.

In the Street Fund, the ending fund balance was \$53,647 higher than the prior year. The amount of revenue received did not change significantly from last year; however, the City spent \$170,000 more on overlay street projects during FY2013. The City is still carrying a relatively large fund balance in anticipation of tackling road improvements in the near future.

The Reserve-Governmental Fund ending fund balance grew slightly. The fund only receives interest revenue and, like last year, there were not any expenditures during the year.

The Local Improvement Fund ending fund balance decreased by \$14,242. This decline occurred because a majority of the property owners are not making regular payments on their assessments; however, the City's annual debt payments are still being made.

The Capital Projects-W Broadway Fund ended the year with a fund balance of \$39,013 which was \$24,175 lower than the beginning fund balance. The decrease can be attributed to the cost of building the Fern Ridge Service Center. Even though the City received a grant for the majority of the building cost, the arrangement is reimbursement based. This means that there is a lag between the time the City spends the money and when the City receives money from the granting agency.

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 position by \$302,776. This is lower than the increases in previous years' primarily because water and sewer rate increases made during the current year were offset by the new interim debt incurred. Unrestricted net position of the proprietary funds at the end of the year amounted to (\$4,963,517). The total restricted net position increased by \$121,785. 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 amount of 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 significantly higher than expected from building related and electrical permits.
- ❖ Miscellaneous income was significantly higher than budgeted because the City recognized revenue that had been held on the balance sheet until the amounts could be verified.
- ❖ Overall expenditures were 94 percent of the amount budgeted.

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013
Unaudited

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, 2013, amounts to \$ 44,100,450 (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 26.64 percent. There was a slight increase in the capital assets for governmental activities; however, the majority of the increase was due to the construction of the water pipeline which is included in the business-type activities.

Major capital asset events during the fiscal year 2012-13 were as follows:

- ❖ Construction of the Fern Ridge Service Center building was began during the year for a total of \$1,238,000.
- ❖ Headwork and SCADA work taking place at the sewer plant had a total cost of \$25,759.
- ❖ Minor improvement work was none at the City Park for a cost of \$7,647.
- ❖ Construction began on a new building in the public works yard on E. Broadway. Only \$3,607 was spent by June 30, 2013. The rest of the construction costs will be incurred and recognized in fiscal year 2014.
- ❖ A total of \$8,956,352 was spent on construction and other related services for the water pipeline project.

CITY OF VENETA
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total		Variance	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	Dollars	%
Land	\$ 2,681,601	\$ 2,681,601	\$ 756,653	\$ 756,653	\$ 3,438,254	\$ 3,438,254	\$ (0)	0.00%
Construction in progress	1,314,304	70,148	9,709,627	749,667	11,023,931	819,815	10,204,116	1244.69%
Buildings & improvements	3,453,784	3,453,784			3,453,784	3,453,784	-	0.00%
Utility systems			20,005,491	20,246,308	20,005,491	20,246,308	(240,817)	-1.19%
Machinery & equipment	144,597	142,933			144,597	142,933	1,664	1.16%
Vehicles & mobile equipment	124,513	124,513	391,733	388,407	516,246	512,920	3,326	0.65%
Infrastructure	11,850,736	11,850,736			11,850,736	11,850,736	-	0.00%
Intangibles	46,494	46,494	-	-	46,494	46,494	-	0.00%
Other	689,179	681,531			689,179	681,531	7,648	1.12%
Total Capital Assets	20,305,208	19,051,740	30,863,504	22,141,035	51,168,712	41,192,775	9,975,936	24.22%
Total Depreciation	(1,986,125)	(1,668,992)	(5,082,139)	(4,701,744)	(7,068,264)	(6,370,736)	(697,528)	10.95%
Net Capital Assets	\$ 18,319,083	\$ 17,382,748	\$ 25,781,365	\$ 17,439,291	\$ 44,100,448	\$ 34,822,039	\$ 9,278,408	26.65%

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

Long-Term Debt. At the end of the current fiscal year, the City of Veneta had total debt outstanding of \$16,365,717. Of this amount, \$2,767,000 is general obligation bonds, \$975,508 comprises debt backed by the full faith and credit of the government and \$8,982,846 is interim financing from Cashmere Valley Bank. The remainder of the City's \$3,640,362 debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013
Unaudited

CITY OF VENETA Outstanding Debt*

(General Obligation and Revenue Bonds)

	Governmental Activities		Business-type Activities		Total		Variance	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	Dollars	%
Long Term Obligations:								
Notes payable	\$ 660,087	\$ 875,716	\$ 9,298,267	\$ 447,967	\$ 9,958,354	\$ 1,323,683	\$ 8,634,671	652.32%
Bonds payable	2,767,000	3,079,646	3,640,362	3,704,938	6,407,362	6,784,584	(377,222)	-5.56%
Total Obligations	\$ 3,427,087	\$ 3,955,362	\$ 12,938,629	\$ 4,152,905	\$ 16,365,716	\$ 8,108,267	\$ 8,257,449	101.84%

*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, 2013.

The City of Veneta's total debt increased by \$8,257,450 (101.80 percent) during the fiscal year. The \$1,253,651 made in principle payments was offset by the interim loan to construct the water pipeline.

State statutes 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 \$6,624,105. 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; however, in fiscal year 2014 the interim debt will be paid off by the issuance of revenue bonds. These bonds are being held by USDA-Rural Development for a period of 40 years.

Additional information on the City's long-term debt can be found in Note 4 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 are projected to be decreased slightly in an effort to offset the needed increases in the water rates.

Rates for water are projected to be increased by 25% effective July 1, 2013. 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 exceeded expectations during the year since then; however, it has again slowed. New commercial construction has stopped in Veneta although during the latter part of the year and into 2014 there has been some significant remodeling and infill. Efforts to explore opportunities to stimulate and/or support economic development by the City will continue. Through the Veneta Urban Renewal Agency it is hoped that the W. Broadway downtown area will reap the benefits of the previous investments.

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 scheduled to be completed by fall 2013. 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 original

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013
Unaudited

estimated cost of the project was \$12 million. As of June 30, 2013 the revised estimate is closer to \$11 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 obtained interim financing. The terms of the interim loan allowed the City to make interest only payments. A water rate analysis will be completed after construction is completed. 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 2nd Street began in December 2012 and is expected to be completed by the fall of 2013. 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 2013-2014 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$788,722. The City of Veneta has appropriated \$181,777 of this amount for spending in the 2014 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 POSITION

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	\$ 6,414,089	\$ 7,509,694	\$ 13,923,783
Receivables	1,133,109	634,067	1,767,176
Inventory	29,345	29,790	59,135
Total Current Assets	<u>7,576,543</u>	<u>8,173,551</u>	<u>15,750,094</u>
Restricted Assets:			
Sinking Funds for Debt Service	-	231,298	231,298
Total Restricted Assets	<u>-</u>	<u>231,298</u>	<u>231,298</u>
Capital Assets:			
Land	2,681,601	756,653	3,438,254
Buildings	3,453,784	-	3,453,784
Utility Systems	-	29,715,118	29,715,118
Equipment	958,289	391,735	1,350,024
Intangibles	46,494	-	46,494
Infrastructure	11,850,736	-	11,850,736
Construction in Progress	1,314,304	-	1,314,304
Less: Accumulated Depreciation	<u>(1,986,125)</u>	<u>(5,082,139)</u>	<u>(7,068,264)</u>
Total Capital Assets, Net of Depreciation	<u>18,319,083</u>	<u>25,781,367</u>	<u>44,100,450</u>
Total Assets	\$ 25,895,626	\$ 34,186,216	\$ 60,081,842
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 483,398	\$ 229,118	\$ 712,516
Payroll Liabilities	60,776	-	60,776
Assessments and Surcharges Payable	4,295	-	4,295
Interest Payable	236,258	169,393	405,651
Deposits	61,683	61,118	122,801
Retainage Payable	47,204	411,978	459,182
OPEB Payable	16,006	16,006	32,012
Short-Term Interim Financing	-	8,982,846	8,982,846
Current Portion of Long-Term Liabilities:			
Notes Payable	83,895	32,512	116,407
Bonds Payable	<u>216,000</u>	<u>67,482</u>	<u>283,482</u>
Total Current Liabilities	<u>1,209,515</u>	<u>9,970,453</u>	<u>11,179,968</u>
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Notes Payable	968,600	282,909	1,251,509
Bonds Payable	<u>2,158,592</u>	<u>3,572,882</u>	<u>5,731,474</u>
Total Long-Term Liabilities	<u>3,127,192</u>	<u>3,855,791</u>	<u>6,982,983</u>
Total Liabilities	4,336,707	13,826,244	18,162,951
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Other	44,345	-	44,345
Utility Billings Receivable Not Earned	<u>-</u>	<u>85,125</u>	<u>85,125</u>
Total Deferred Inflows of Resources	44,345	85,125	129,470
<u>NET POSITION:</u>			
Invested in capital assets, net of related debt	\$ 14,891,996	\$ 21,825,582	\$ 36,717,578
Restricted for:			
Debt Service	942,457	231,298	1,173,755
Capital Projects	341,668	3,181,484	3,523,152
Unrestricted	<u>5,338,452</u>	<u>(4,963,517)</u>	<u>374,935</u>
Total Net Position	\$ 21,514,573	\$ 20,274,847	\$ 41,789,420

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, 2013

	(Expenses)	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>GOVERNMENTAL ACTIVITIES:</u>					
General Government	\$ 1,030,631	\$ 157,121	\$ 1,609	\$ -	\$ (871,901)
Public Safety	739,881	-	4,003	-	(735,878)
Public Works	315,247	195,425	-	-	(119,822)
Culture and Recreation	225,727	112,474	-	1,041,675	928,422
Interest Expense	215,242	-	-	-	(215,242)
Total Governmental Activities	\$ 2,526,728	\$ 465,020	\$ 5,612	\$ 1,041,675	\$ (1,014,421)
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Water Utilities	\$ 555,353	\$ 782,029	\$ -	\$ (183,699)	\$ 42,977
Sewer Utilities	664,374	1,144,262	-	-	479,888
Interest on Long-Term Debt	176,314	-	-	-	(176,314)
Total Business-type Activities	\$ 1,396,041	\$ 1,926,291	\$ -	\$ (183,699)	\$ 346,551
Total Primary Government	\$ 3,922,769	\$ 2,391,311	\$ 5,612	\$ 857,976	\$ (667,870)
<u>CHANGES IN NET POSITION:</u>					
			Governmental Activities	Business-type Activities	Total
Net (expense) revenue			\$ (1,014,421)	\$ 346,551	\$ (667,870)
<u>GENERAL REVENUES:</u>					
Property Taxes, levied for general purposes			1,238,734	-	1,238,734
Property Taxes, levied for debt service			807,879	-	807,879
Intergovernmental Tax Turnovers			406,817	-	406,817
State Revenue Sharing			40,899	-	40,899
Franchise Taxes			265,073	-	265,073
Interest and Investment Earnings			30,995	40,003	70,998
Other Revenue			126,848	-	126,848
Subtotal - General Revenues			2,917,245	40,003	2,957,248
Change in Net Position before Special Items			1,902,825	386,554	2,289,379
Interfund Transfers			110,000	(110,000)	-
Equity Transfer			(26,222)	26,222	-
Change in Net Position			1,986,603	302,776	2,289,379
Net Position, July 1, 2012			19,527,971	19,972,071	39,500,042
Net Position, June 30, 2013			\$ 21,514,573	\$ 20,274,847	\$ 41,789,420

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, 2013

	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
ASSETS:										
Cash and Investments	\$ 540,145	\$ 664,973	\$ 1,547,318	\$ 717,543	\$ 124,906	\$ -	\$ 348,211	\$ 637,401	\$ 1,833,592	\$ 6,414,089
Receivables:										
Accounts	2,505	14,441	-	-	-	642,467	-	-	6,280	665,693
Loans	-	-	-	-	-	-	-	-	15,000	15,000
Assessments	-	-	-	-	62,197	-	-	-	-	62,197
Property Tax	17,730	57,856	-	-	-	-	-	53,966	20,350	149,902
Franchise Taxes	20,842	-	20,842	-	-	-	-	-	-	41,684
Liens	2,660	-	3,360	-	-	-	-	-	70,437	76,457
Other	14,658	-	35,674	-	-	-	-	-	21,654	71,986
Grants	-	-	50,000	-	-	-	-	-	-	50,000
Interfund	345,980	-	-	-	-	-	-	-	-	345,980
Inventory - Land	29,345	-	-	-	-	-	-	-	-	29,345
Total Assets	\$ 974,055	\$ 737,270	\$ 1,657,194	\$ 717,543	\$ 187,103	\$ 642,467	\$ 348,211	\$ 691,367	\$ 1,967,313	\$ 7,922,523
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:										
Liabilities:										
Accounts Payable	\$ 46,184	\$ 172,842	\$ 36,713	\$ -	\$ -	\$ 207,223	\$ 6,543	\$ -	\$ 13,893	\$ 483,398
Assessments and Surcharges Payable	4,295	-	-	-	-	-	-	-	-	4,295
Payroll Payable	60,776	-	-	-	-	-	-	-	-	60,776
Deposits	-	-	61,683	-	-	-	-	-	-	61,683
Retainage Payable	-	-	-	-	-	47,204	-	-	-	47,204
Interfund Loan Payable	-	-	-	-	-	345,980	-	-	-	345,980
Total Liabilities	111,255	172,842	98,396	-	-	600,407	6,543	-	13,893	1,003,336
Deferred Inflows of Resources:										
Revenues Earned not Currently Available	74,079	56,410	67,876	-	62,197	3,047	-	52,589	115,844	432,042
Total Deferred Inflows of Resources	74,079	56,410	67,876	-	62,197	3,047	-	52,589	115,844	432,042
Fund Balances:										
Restricted for:										
Debt Service	-	-	-	-	124,904	-	-	638,778	178,775	942,457
Urban Renewal Projects	-	-	-	-	-	-	341,668	-	-	341,668
Committed for:										
Street and Road Projects	-	-	1,490,922	-	-	-	-	-	-	1,490,922
Public Safety	-	508,018	-	-	-	-	-	-	-	508,018
Parks and Recreation Programs	-	-	-	-	-	-	-	-	354,680	354,680
Community Development Projects	-	-	-	717,543	-	-	-	-	513,367	1,230,910
Capital Projects	-	-	-	-	-	39,013	-	-	790,754	829,767
Unassigned	788,722	-	-	-	-	-	-	-	-	788,722
Total Fund Balances	788,722	508,018	1,490,922	717,543	124,904	39,013	341,668	638,778	1,837,576	6,487,144
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 974,056	\$ 737,270	\$ 1,657,194	\$ 717,543	\$ 187,101	\$ 642,467	\$ 348,211	\$ 691,367	\$ 1,967,313	\$ 7,922,522

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 POSITION**

JUNE 30, 2013

Total Fund Balances - Governmental Funds \$ 6,487,144

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

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

The cost of the assets is -	\$20,305,208	
The accumulated depreciation is -	<u>(1,986,125)</u>	
Net Value of Assets		18,319,083

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

Property Taxes	156,700	
Grants	50,000	
Franchises	29,032	
Other Revenues	<u>151,965</u>	
		387,697

Interest Payable is not recorded in the governmental funds (236,258)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. (3,443,093)

Net Position of Governmental Activities **\$ 21,514,573**

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

For The Fiscal Year Ended June 30, 2013

	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
REVENUES:										
Taxes and Assessments	\$ 202,800	\$ 671,357	\$ -	\$ -	\$ 4,614	\$ -	\$ -	\$ 646,374	\$ 593,805	\$ 2,118,950
Intergovernmental	77,973	-	323,255	-	-	-	-	-	46,488	447,716
Franchise Taxes	103,292	59,060	103,292	-	-	-	-	-	-	265,644
Licenses & Permits	131,998	-	-	-	-	-	-	-	-	131,998
Charges for Service	-	-	1,355	-	-	-	-	-	169,263	170,618
Fines and Forfeitures	25,123	-	-	-	-	-	-	-	-	25,123
Investment Revenue	4,219	3,004	8,111	4,026	785	356	921	832	8,741	30,995
Grants & Donations	1,609	4,003	-	-	-	1,241,105	5,125	-	2,700	1,254,542
Other Revenue	56,832	3,987	-	-	-	24,953	-	-	19,255	105,027
Total Revenues	603,846	741,411	436,013	4,026	5,399	1,266,414	6,046	647,206	840,252	4,550,613
EXPENDITURES:										
Current Operating:										
General Government	498,735	-	-	-	2,093	-	31,655	-	146,035	678,518
Public Safety	-	734,292	-	-	-	-	-	-	5,589	739,881
Highway and Streets	-	-	377,366	-	-	-	-	-	-	377,366
Culture and Recreation	-	-	-	-	-	-	-	-	225,727	225,727
Debt Service:										
Principal	-	-	-	-	10,232	-	-	175,000	307,147	492,379
Interest	-	-	-	-	7,316	-	-	107,406	74,309	189,031
Capital Outlay	-	-	-	-	-	1,290,589	-	-	12,638	1,303,227
Total Expenditures	498,735	734,292	377,366	-	19,641	1,290,589	31,655	282,406	771,445	4,006,129
Excess (Deficiency) of Revenues										
Over Expenditures	105,111	7,119	58,647	4,026	(14,242)	(24,175)	(25,609)	364,800	68,807	544,484
OTHER FINANCING SOURCES (USES):										
Interfund Transfers In	14,907	-	-	-	-	-	-	-	275,000	289,907
Interfund Transfers (Out)	(70,000)	-	(5,000)	-	-	-	(13,907)	-	(91,000)	(179,907)
Total Other Financing Sources (Uses)	(55,093)	-	(5,000)	-	-	-	(13,907)	-	184,000	110,000
Net Change in Fund Balances	50,018	7,119	53,647	4,026	(14,242)	(24,175)	(39,516)	364,800	252,807	654,484
FUND BALANCES, July 1, 2012	738,704	500,899	1,437,275	713,517	139,146	63,188	381,184	273,978	1,584,769	5,832,660
FUND BALANCES, June 30, 2013	\$ 788,722	\$ 508,018	\$ 1,490,922	\$ 717,543	\$ 124,904	\$ 39,013	\$ 341,668	\$ 638,778	\$ 1,837,576	\$ 6,487,144

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, 2013

Net Changes in Fund Balances - Total Governmental Funds		\$ 654,484
Amounts reported for governmental activities in the Statement of Activities are different because:		
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	\$ 1,315,587	
Less current year depreciation	<u>(317,133)</u>	
		998,454
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 inflows of resources. However, some of these funds are recorded as revenue in the Statement of Activities.		
The changes in amounts deferred are as follows:		
Property Taxes	59,819	
Unused Grant Proceeds	(202,130)	
Franchises	(571)	
Other Revenues	<u>21,821</u>	
		(121,061)
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.		
		(26,211)
Additions to certain payroll liabilities are reported as an expense in the Statement of Activities.		
OPEB Obligation		14,780
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 Position.		
Retirement of debt principal is as follows:		
General Obligations Bonds and Notes Payable		492,379
Amounts transferred to other funds is not recorded in the fund financial statements.		
		<u>(26,222)</u>
Changes in Net Assets of Governmental Position		<u>\$ 1,986,603</u>

Proprietary Fund
Financial Statements

CITY OF VENETA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	Water Fund	Sewer Fund	Capital Construction - Enterprise Fund	Capital Construction - Pipeline Fund	Reserve - Enterprise Fund	Total Enterprise Funds
<u>ASSETS:</u>						
Current Assets:						
Cash and Investments	\$ 1,422,699	\$ 1,282,565	\$ 2,942,205	\$ 536,489	\$ 1,325,736	\$ 7,509,694
Receivables	108,162	123,817	88,638	313,450	-	634,067
Inventory	29,790	-	-	-	-	29,790
Total Current Assets	1,560,651	1,406,382	3,030,843	849,939	1,325,736	8,173,551
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	18,797,481	10,917,637	-	-	-	29,715,118
Equipment	200,570	191,165	-	-	-	391,735
Less: Accumulated Depreciation	(2,214,563)	(2,867,576)	-	-	-	(5,082,139)
Total Capital Assets, Net of Depreciation	17,048,826	8,732,541	-	-	-	25,781,367
Total Assets	18,609,477	10,370,221	3,030,843	849,939	1,325,736	34,186,216
<u>LIABILITIES:</u>						
Current Liabilities:						
Accounts Payable	13,740	24,294	-	191,084	-	229,118
Interest Payable	-	73,157	74,130	22,106	-	169,393
Deposits	16,963	44,155	-	-	-	61,118
Retainage Payable	-	-	-	411,978	-	411,978
OPEB Payable	8,003	8,003	-	-	-	16,006
Short-Term Interim Financing	8,982,846	-	-	-	-	8,982,846
Current Portion of Long-Term Liabilities:						
Note Payable	-	-	32,512	-	-	32,512
Bond Payable	-	67,482	-	-	-	67,482
Total Current Liabilities	9,021,552	217,091	106,642	625,168	-	9,970,453
Long-Term Liabilities:						
Noncurrent Portion of Long-Term Liabilities:						
Note Payable	-	-	282,909	-	-	282,909
Bond Payable	-	3,572,882	-	-	-	3,572,882
Total Long-Term Liabilities	-	3,572,882	282,909	-	-	3,855,791
Total Liabilities	9,021,552	3,789,973	389,551	625,168	-	13,826,244
<u>DEFERRED INFLOWS OF RESOURCES:</u>						
Utility Billings Receivable Not Earned	-	85,125	-	-	-	85,125
Total Deferred Inflows of Resources	-	85,125	-	-	-	85,125
<u>NET POSITION:</u>						
Invested in capital assets, net of related debt	8,065,980	5,092,177	(315,421)	-	-	12,842,736
Restricted for:						
Capital Projects	-	-	2,956,713	224,771	-	3,181,484
Debt Service	-	231,298	-	-	-	231,298
Unrestricted	1,521,945	1,171,648	-	-	1,325,736	4,019,329
Total Net Position	\$ 9,587,925	\$ 6,495,123	\$ 2,641,292	\$ 224,771	\$ 1,325,736	\$ 20,274,847

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 POSITION
PROPRIETARY FUNDS

For The Fiscal Year Ended June 30, 2013

	<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>
<u>OPERATING REVENUES:</u>						
Charges for Services & Fees	\$ 738,967	\$ 987,929	\$ 181,141	\$ -	\$ -	\$ 1,908,037
Miscellaneous	2,385	15,869	-	-	-	18,254
Total Revenues	741,352	1,003,798	181,141	-	-	1,926,291
<u>OPERATING EXPENSES:</u>						
Personal Services	263,454	216,246	-	-	-	479,700
Materials and Supplies	139,076	165,537	-	-	-	304,613
Depreciation Expense	152,823	282,591	-	-	-	435,414
Total Operating Expenses	555,353	664,374	-	-	-	1,219,727
Income (Loss) from Operations	185,999	339,424	181,141	-	-	706,564
<u>NON-OPERATING REVENUES (EXPENSES):</u>						
Investment Revenue	6,990	6,563	18,456	555	7,439	40,003
Interest and Loan Fee Expense	-	(176,314)	-	-	-	(176,314)
Total Non-Operating Revenues (Expenses)	6,990	(169,751)	18,456	555	7,439	(136,311)
Income before Contributions & Transfers	192,989	169,673	199,597	555	7,439	570,253
Gain/(Loss) on Disposition of Capital Assets	(183,699)	-	-	-	-	(183,699)
Transfers From (To) Other Funds	(5,000)	(105,000)	-	-	-	(110,000)
Equity Transfers In (Out)	(99,786)	173,032	(173,032)	126,008	-	26,222
Changes in Net Position	(95,496)	237,705	26,565	126,563	7,439	302,776
TOTAL NET POSITION, June 30, 2012	9,683,421	6,257,418	2,614,727	98,208	1,318,297	19,972,071
TOTAL NET POSITION, June 30, 2013	\$ 9,587,925	\$ 6,495,123	\$ 2,641,292	\$ 224,771	\$ 1,325,736	\$ 20,274,847

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, 2013

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Water Fund	Sewer Fund	Capital Construction - Enterprise Fund	Capital Construction - Pipeline Fund	Reserve - Enterprise Fund	
<u>Cash Flows from Operating Activities:</u>						
Cash Received from User Charges	\$ 725,458	\$ 1,040,632	\$ 137,777	\$ -	\$ -	\$ 1,903,867
Cash Payments for Employee Services	(281,358)	(233,947)	-	-	-	(515,305)
Cash Payments to Suppliers	(133,027)	(197,732)	(21,044)	-	-	(351,803)
Net Cash Provided (Used) by Operating Activities	311,073	608,953	116,733	-	-	1,036,759
<u>Cash Flows from Non-capital Financing Activities:</u>						
Transfer (To) Other Funds	(5,000)	(105,000)	-	-	-	(110,000)
Net Cash Provided (Used) by Non-capital Financing Activities	(5,000)	(105,000)	-	-	-	(110,000)
<u>Cash Flows from Capital and Related Financing Activities:</u>						
Proceeds from Short-Term and Long-Term Debt	-	-	-	8,769,396	-	8,769,396
Acquisition of Capital Assets	(5,272)	128,073	(173,032)	(8,273,303)	-	(8,323,534)
Principal Paid on Long Term Debt	(35,897)	(165,778)	(31,343)	-	-	(233,018)
Interest Paid on Long Term Debt	-	(169,268)	(11,189)	-	-	(180,457)
Proceeds from Sale of Capital Assets	8,000	-	-	-	-	8,000
Net Cash Provided (Used) by Capital and Related Financing Activities	(33,169)	(206,973)	(215,564)	496,093	-	40,387
<u>Cash Flows from Investing Activities:</u>						
Investment Income	6,990	6,563	18,456	555	7,439	40,003
Net Cash Provided (Used) by Investing Activities	6,990	6,563	18,456	555	7,439	40,003
Cash and Cash Equivalents at July 1, 2012	1,142,805	1,210,320	3,022,580	39,840	1,318,297	6,733,842
Cash and Cash Equivalents at June 30, 2013	\$ 1,422,699	\$ 1,513,863	\$ 2,942,205	\$ 536,488	\$ 1,325,736	\$ 7,740,991
<u>Reconciliation of income (loss) from operations</u>						
<u>to net cash provided (used) by operating activities:</u>						
Income (loss) from operations	\$ 185,999	\$ 339,424	\$ 181,141	\$ -	\$ -	\$ 706,564
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:						
Depreciation	152,823	282,591	-	-	-	435,414
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	(17,704)	774	(43,364)	-	-	(60,294)
Decrease (increase) in inventory	461	-	-	-	-	461
Increase (decrease) in deposits	1,810	44,155	-	-	-	45,965
Increase (decrease) in payables	(12,316)	(49,896)	(21,044)	-	-	(83,256)
Increase (decrease) in deferred inflows of resources	-	(8,095)	-	-	-	(8,095)
Net cash provided (used) by operating activities	\$ 311,073	\$ 608,953	\$ 116,733	\$ -	\$ -	\$ 1,036,759

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, 2013

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 position 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 position 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, 2013

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, 2013

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 Position. 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, 2013

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 position 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, 2013

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, 2013

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

I. Deferred Inflows of Resources:

In the governmental funds, property taxes which have not been collected within sixty days subsequent to year-end are not considered measurable and available and are therefore not recognized as revenue, but rather as deferred inflows of resources.

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 position and are classified as restricted assets on the Statement of Net Position 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 Position.

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, 2013

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 position, which represents the difference between assets and liabilities. Net position is 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 position - Consists of net position 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 position - All other net position 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 position is 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, 2013.
- 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, 2013.

CITY OF VENETA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

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, 2013

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, 2013, the reported amount of the City's deposits was \$3,063,872 and the bank balance was \$3,687,402. The amount in petty cash was \$230. 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, 2013, the City's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2013, 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>\$ 11,091,053</u>	N/A
Total Investments	<u><u>\$ 11,091,053</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, 2013

3. CAPITAL ASSETS:

The following is a summary of capital asset activity for the fiscal year ended June 30, 2013:

Governmental Activities	June 30, 2012	Additions	Deletions	June 30, 2013
Assets not being depreciated:				
Land	\$ 2,681,601	\$ -	\$ -	\$ 2,681,601
Construction-In-Process	70,148	1,244,156	-	1,314,304
Assets being depreciated:				
Buildings	3,453,784	-	-	3,453,784
Other	681,531	7,648	-	689,179
Machinery & Equipment	142,933	1,664	-	144,597
Vehicles	124,513	-	-	124,513
Intangibles	46,494	-	-	46,494
Infrastructure*	11,850,736	-	-	11,850,736
Total Depreciable Assets	16,299,991	9,312	-	16,309,303
Less: Accumulated Depreciation				
Buildings	247,727	78,100	-	325,827
Other	231,153	38,382	-	269,535
Machinery & Equipment	118,826	7,314	-	126,140
Vehicles	112,923	1,719	-	114,642
Intangibles	9,299	9,299	-	18,598
Infrastructure*	949,064	182,319	-	1,131,383
Total Accumulated Depreciation	1,668,992	317,133	-	1,986,125
Net Value of Capital Assets Being Depreciated	14,630,999	(307,821)	-	14,323,178
Total Governmental Activities--Net Value of Capital Assets	<u>\$ 17,382,748</u>	<u>\$ 936,335</u>	<u>\$ -</u>	<u>\$ 18,319,083</u>
Business-type Activities				
Assets not being depreciated:				
Land	\$ 756,653	\$ -	\$ -	\$ 756,653
System - Construction-In-Process	749,667	8,956,352	-	9,706,019
Equipment - Construction-In-Progress	-	3,608	-	3,608
Assets being depreciated:				
Utility Plants	20,246,309	5,900	246,718	20,005,491
Equipment	388,407	3,326	-	391,733
Total Depreciable Assets	20,634,716	9,226	246,718	20,397,224
Less: Accumulated Depreciation				
Utility Plants	4,496,349	416,577	55,019	4,857,907
Equipment	205,395	18,837	-	224,232
Total Accumulated Depreciation	4,701,744	435,414	55,019	5,082,139
Net Value of Capital Assets Being Depreciated	15,932,972	(426,188)	191,699	15,315,085
Total Business-type Activities--Net Value of Capital Assets	<u>\$ 17,439,292</u>	<u>\$ 8,533,772</u>	<u>\$ 191,699</u>	<u>\$ 25,781,365</u>
Total Net Position of Primary Government	<u>\$ 34,822,040</u>	<u>\$ 9,470,107</u>	<u>\$ 191,699</u>	<u>\$ 44,100,448</u>
Depreciation expense was charged to functions of the primary government as follows:				
Governmental Activities:		Business-Type Activities		
General Government	\$ 317,133	Water Utilities	\$ 152,823	
		Sewer Utilities	282,591	
Total depreciation expense - governmental activities	<u>\$ 317,133</u>		<u>\$ 435,414</u>	

* 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, 2013

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, 2012	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2013	Due within One Year
GOVERNMENTAL ACTIVITIES					
Note Payable To Siuslaw Bank for the acquisition of land					
Original Balance: \$925,000					
Dated: January 15, 2009					
Interest Rate: 3.475%, adjusted April 2013					
Principal	\$ 672,270	\$ -	\$ 205,397	\$ 466,873	\$ 74,614
Interest	-	25,784	25,784	-	15,474
Totals	\$ 672,270	\$ 25,784	\$ 231,181	\$ 466,873	\$ 90,088
Note Payable To Siuslaw Bank for financing of local improvements to be retired by assessment					
Original Balance: \$223,502					
Dated: June 18, 2009					
Interest Rate: 3.475%, adjusted November, 2012					
Principal	\$ 203,446	\$ -	\$ 10,232	\$ 193,214	\$ 9,281
Interest	-	7,316	7,316	-	6,742
Totals	\$ 203,446	\$ 7,316	\$ 17,548	\$ 193,214	\$ 16,023
Urban Renewal Bonds, Series 2001 issued for the					
Original Balance: \$3,360,000					
Dated: December 2000					
Interest Rate: Varies 3.90% - 5.675%					
Principal	\$ 1,935,000	\$ -	\$ 175,000	\$ 1,760,000	\$ 180,000
Interest	-	106,981	106,981	-	97,575
Totals	\$ 1,935,000	\$ 106,981	\$ 281,981	\$ 1,760,000	\$ 277,575
General Obligation Water Bonds held by Berkadia					
Original Balance: \$1,000,000					
Dated: August 25, 1981					
Interest Rate: 5.00%					
Principal	\$ 104,646	\$ -	\$ 104,646	\$ -	\$ -
Interest	-	2,117	2,117	-	-
Totals	\$ 104,646	\$ 2,117	\$ 106,763	\$ -	\$ -
General Obligation Bonds held by U.S. National Bank for construction of a new swimming pool					
Original Balance: \$1,100,000					
Dated: February 12, 2010					
Interest Rate: 4.45%					
Principal	\$ 1,040,000	\$ -	\$ 33,000	\$ 1,007,000	\$ 36,000
Interest	-	46,408	46,408	-	44,812
Totals	\$ 1,040,000	\$ 46,408	\$ 79,408	\$ 1,007,000	\$ 80,812
TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 3,955,362	\$ -	\$ 528,275	\$ 3,427,087	\$ 299,895
Interest	-	188,606	188,606	-	164,603
Totals	\$ 3,955,362	\$ 188,606	\$ 716,881	\$ 3,427,087	\$ 464,498

CITY OF VENETA
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

4. LONG-TERM DEBT (Cont.):

	Outstanding Balance July 1, 2012	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2013	Due within One Year
BUSINESS-TYPE ACTIVITIES					
Note Payable with DEQ for Sewer System					
Original Balance: \$1,033,420					
Dated: August 14, 2000					
Interest Rate: 3.43%					
Principal	\$ 101,203	\$ -	\$ 101,203	\$ -	\$ -
Interest	-	309	309	-	-
Totals	\$ 101,203	\$ 309	\$ 101,512	\$ -	\$ -
Revenue Bonds held by USDA Rural Development					
Original Balance: \$4,255,700					
Dated August 8, 2000					
Interest Rate - 4.50%					
Sinking Fund Requirement - \$231,298					
Principal	\$ 3,704,938	\$ -	\$ 64,576	\$ 3,640,362	\$ 67,482
Interest	-	164,127	164,127	-	163,816
Totals	\$ 3,704,938	\$ 164,127	\$ 228,703	\$ 3,640,362	\$ 231,298
Note Payable to Siuslaw Bank for acquisition of property					
Original Balance: \$362,590					
Dated: December 15, 2011					
Interest Rate - 3.475%					
Principal	\$ 346,764		\$ 31,343	\$ 315,421	\$ 32,493
Interest	-	11,878	11,878	-	10,849
Totals	\$ 346,764	\$ 11,878	\$ 43,221	\$ 315,421	\$ 43,342
Interim Financing for Water Pipeline by Cashmere Valley Bank Non-Revolving Credit Facility and Note for Water System Improvements In Drawdown					
Original Balance: \$13,033,000					
Dated: Various					
Interest Rate: 1.95%					
Principal	\$ -	\$ 8,982,846	\$ -	\$ 8,982,846	\$ -
Interest	-	60,012	60,012	-	-
Totals	\$ -	\$ 9,042,858	\$ 60,012	\$ 8,982,846	\$ -
TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 4,152,905	\$ 8,982,846	\$ 197,122	\$ 12,938,629	\$ 99,975
Interest	-	236,326	236,326	-	174,665
Totals	\$ 4,152,905	\$ 9,219,172	\$ 433,448	\$ 12,938,629	\$ 274,640
TOTAL DEBT AGREEMENTS:					
Principal	\$ 8,108,267	\$ 8,982,846	\$ 725,397	\$ 16,365,716	\$ 399,870
Interest	-	424,932	424,932	-	339,268
Totals	\$ 8,108,267	\$ 9,407,778	\$ 1,150,329	\$ 16,365,716	\$ 739,138

CITY OF VENETA
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

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
<u>Governmental Activities</u>				
Note Payable with Siuslaw Bank	2014	\$ 74,614	\$ 15,474	\$ 90,088
	2015	77,278	12,810	90,088
	2016	80,012	10,076	90,088
	2017	82,893	7,195	90,088
	2018	85,853	4,235	90,088
	2019	66,223	1,172	67,395
	Total	<u>\$ 466,873</u>	<u>\$ 50,962</u>	<u>\$ 517,835</u>
Note Payable with Siuslaw Bank	2014	\$ 9,281	\$ 6,742	\$ 16,023
	2015	9,610	6,413	16,023
	2016	9,936	6,087	16,023
	2017	10,305	5,718	16,023
	2018	10,671	5,352	16,023
	2019-2023	59,310	20,805	80,115
	2024-2028	70,628	9,487	80,115
	2029	13,473	354	13,827
	Total	<u>\$ 193,214</u>	<u>\$ 60,958</u>	<u>\$ 254,172</u>
Urban Renewal Bonds, Series 2001	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	225,000	54,844	279,844
	2019-2021	750,000	86,063	836,063
	Total	<u>1,760,000</u>	<u>471,006</u>	<u>2,231,006</u>
General Obligation Bonds - Swimming Pool Facility	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	50,000	37,514	87,514
	2019-2023	307,000	150,588	457,588
	2024-2028	396,000	74,449	470,449
	2029	90,000	4,005	94,005
	Total	<u>\$ 1,007,000</u>	<u>\$ 435,700</u>	<u>\$ 1,442,700</u>

CITY OF VENETA
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

4. LONG-TERM DEBT (CONT.):

	Due Fiscal Year Ending June 30,	Principal	Interest	Total
<u>Business-Type Activities</u>				
Note Payable with USDA Rural Development	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	80,473	150,825	231,298
	2019-2023	459,756	696,434	1,156,190
	2024-2028	573,314	583,149	1,156,463
	2029-2033	714,452	442,037	1,156,489
	2034-2038	890,339	266,152	1,156,491
	2039-2041	633,328	57,668	690,996
	Total	<u>\$ 3,640,362</u>	<u>\$ 2,832,757</u>	<u>\$ 6,473,119</u>
Note Payable to Siuslaw Bank for acquisition of real property	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	37,364	5,978	43,342
	2019-2022	141,012	10,160	151,172
	Total	<u>\$ 315,421</u>	<u>\$ 52,462</u>	<u>\$ 367,883</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, 2013

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.

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, 2013 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, 2013, 2012, and 2011 were \$107,192, \$106,077 and \$79,070 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, 2013, was \$10,500, 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, 2013

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

components of the City's annual OPEB cost for the fiscal year ending June 30, 2013, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 15,250
Interest on net OPEB obligation	1,462
Adjustment to the annual required contribution	<u>4,986</u>
Annual OPEB cost (expense)	21,698
Contributions made	<u>10,500</u>
Increase in net OPEB obligation	1,226
Net OPEB obligation, beginning of year	<u>30,785</u>
Net OPEB obligation, end of year	<u><u>\$ 32,011</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 position 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, 2013

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund payables and receivables at June 30, 2013 are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 345,980	\$ -
Capital Projects - W. Broadway Development		345,980
Total	\$ 345,980	\$ 345,980

The General Fund provided necessary cash to Capital Projects - W. Broadway Development Fund until receivables are collected.

Interfund transfers for the year ended June 30, 2013 were as follows:

	Transfers Out	Transfers In
General Fund	\$ 70,000	14,907
Park and Recreation Fund	-	20,000
Street Fund	5,000	-
Water Fund	5,000	-
Sewer Fund	105,000	-
Storm Drainage Fund	70,000	-
Public Works Fund	-	15,000
Zumwalt Campground Fund	20,000	-
Business Assistance Grant Loan Fund	1,000	-
Inverse Condemnation Fund	-	240,000
Urban Renewal General Fund	13,907	-
Total	\$ 289,907	\$ 289,907

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, 2013

10. DEFERRED INFLOWS OF RESOURCES:

Governmental funds report deferred inflows of resources 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 inflows of resources in connection with resources that have been received but not yet earned. At June 30, 2013, the various components of deferred inflows of resources consist of the following:

Deferred Inflows of Resources - Governmental Funds - Budget Basis:

	<u>General Fund</u>	<u>Law Enforcement Fund</u>	<u>Street Fund</u>	<u>Local Improvement Fund</u>	<u>Capital Projects - W. Broadway Development Fund</u>	<u>Urban Renewal Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 17,294	\$ 56,410	\$ -	\$ -	\$ -	\$ 52,589	\$ 30,407	\$ 156,700
Liens	2,661	-	3,360	62,197	-	-	70,437	138,655
Franchise Taxes	14,516	-	14,516	-	-	-	-	29,032
Other	39,608	-	50,000	-	3,047	-	15,000	107,655
Total	<u>\$ 74,079</u>	<u>\$ 56,410</u>	<u>\$ 67,876</u>	<u>\$ 62,197</u>	<u>\$ 3,047</u>	<u>\$ 52,589</u>	<u>\$ 115,844</u>	<u>\$ 432,042</u>

11. OVER-EXPENDITURE OF APPROPRIATIONS:

Expenditures in excess of appropriation in individual fund for the year ended June 30, 2013 occurred as follows:

<u>Fund / Category</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Sewer Fund / Debt Service	172,504	174,163	1,659

CITY OF VENETA
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

12. 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, 2013 are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Total Assets	\$ 18,609,477	\$ 10,370,221	\$ 28,979,698
Current Assets	1,560,651	1,406,382	2,967,033
Restricted Assets	-	231,298	231,298
Capital Assets	17,048,826	8,732,541	25,781,367
Total Liabilities	9,021,552	3,875,098	12,896,650
Current Liabilities	9,021,552	302,216	9,323,768
Non-Current Liabilities	-	3,572,882	3,572,882
Total Net Assets	9,587,925	6,495,123	16,083,048
Invested in Capital Assets, net of related debt	8,065,980	5,092,177	13,158,157
Restricted for Debt Service	-	231,298	231,298
Unrestricted	1,521,945	1,171,648	2,693,593
Operating Revenues	741,352	1,003,798	1,745,150
Operating Expenses			
Depreciation	152,823	282,591	435,414
Operating Income (Loss)	212,221	339,424	551,645
Non-Operating Revenues	6,990	6,563	13,553
Capital Contributions	(183,699)	-	(183,699)
Transfers To (From)	(5,000)	(105,000)	(110,000)
Change In Net Assets	(95,496)	237,705	142,209
Beginning Net Assets	9,683,421	6,257,418	15,940,839
Ending Net Assets	9,587,925	6,495,123	16,083,048
Cash Provided (Used) by:			
Operating Activities	337,295	608,953	946,248
Non Capital Financing Activities	(5,000)	(105,000)	(110,000)
Capital & Related Financing	(4,372)	(206,973)	(211,345)
Investing Activities	6,990	6,563	13,553
Beginning Cash	1,142,805	1,210,320	2,353,125
Ending Cash	\$ 1,477,718	\$ 1,513,863	\$ 2,991,581

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

GENERAL FUND

For The Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget
	Original	Final		Positive (Negative)
	<u>REVENUES:</u>			
Taxes and Assessments	199,542	199,542	202,800	3,258
Intergovernmental	73,065	73,065	77,973	4,908
Franchise Taxes	79,150	79,150	103,292	24,142
Licenses and Permits	36,347	36,347	131,998	95,651
Fines and Forfeitures	20,100	20,100	25,123	5,023
Investment Revenue	3,000	3,000	4,219	1,219
Grants	6,239	6,239	1,609	(4,630)
Other Revenue	40,050	40,050	56,832	16,782
Total Revenues	457,493	457,493	603,846	146,353
<u>EXPENDITURES:</u>				
Personal Services	302,039	307,039	296,492	(10,547)
Materials and Services	201,737	211,737	202,243	(9,494)
Capital Outlay	5,000	5,000	-	(5,000)
Contingency	25,000	10,000	-	(10,000)
Total Expenditures	533,776	533,776	498,735	(35,041)
Excess (Deficiency) of Revenues Over Expenditures	(76,283)	(76,283)	105,111	181,394
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	23,500	23,500	14,907	(8,593)
Operating Transfer (Out)	(70,000)	(70,000)	(70,000)	-
Total Other Financing Sources (Uses):	(46,500)	(46,500)	(55,093)	(8,593)
Net Change in Fund Balance	(122,783)	(122,783)	50,018	172,801
FUND BALANCE, July 1, 2012	625,760	625,760	738,704	112,944
FUND BALANCE, June 30, 2013	\$ 502,977	\$ 502,977	\$ 788,722	\$ 285,745

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

LAW ENFORCEMENT FUND

For The Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<u>REVENUES:</u>				
Taxes and Assessments	\$ 667,179	\$ 667,179	\$ 671,357	\$ 4,178
Franchise Tax - Telecommunications	60,800	60,800	59,060	(1,740)
Investment Revenue	3,285	3,285	3,004	(281)
Grants	500	500	4,003	3,503
Other Revenue	-	-	3,987	3,987
Total Revenues	731,764	731,764	741,411	9,647
<u>EXPENDITURES:</u>				
Materials and Services	756,400	756,400	729,876	(26,524)
Capital Outlay	5,000	5,000	4,416	(584)
Contingency	5,000	5,000	-	(5,000)
Total Expenditures	766,400	766,400	734,292	(32,108)
Excess (Deficiency) of Revenues Over Expenditures	(34,636)	(34,636)	7,119	41,755
FUND BALANCE, July 1, 2012	434,449	434,449	500,899	66,450
FUND BALANCE, June 30, 2013	\$ 399,813	\$ 399,813	\$ 508,018	\$ 108,205

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

STREET FUND

For The Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Intergovernmental	\$ 338,072	\$ 338,072	\$ 323,255	\$ (14,817)
Franchise Taxes	79,150	79,150	103,292	24,142
Grant Revenue	125,000	125,000	-	(125,000)
Licenses and Permits	300	300	1,355	1,055
Investment Revenue	4,000	4,000	8,111	4,111
Other Revenue	100	100	-	(100)
Total Revenues	546,622	546,622	436,013	(110,609)
<u>EXPENDITURES:</u>				
Personal Services	130,026	130,026	101,314	(28,712)
Materials and Services	450,921	450,921	270,727	(180,194)
Capital Outlay	36,250	36,250	5,325	(30,925)
Contingency	35,000	35,000	-	(35,000)
Total Expenditures	652,197	652,197	377,366	(274,831)
Excess (Deficiency) of Revenues Over Expenditures	(105,575)	(105,575)	58,647	164,222
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(5,000)	(5,000)	(5,000)	-
Total Other Financing Sources (Uses)	(5,000)	(5,000)	(5,000)	-
Net Change in Fund Balance	(110,575)	(110,575)	53,647	164,222
FUND BALANCE, July 1, 2012	1,299,059	1,299,059	1,437,275	138,216
FUND BALANCE, June 30, 2013	\$ 1,188,484	\$ 1,188,484	\$ 1,490,922	\$ 302,438

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

RESERVE FUND - GOVERNMENTAL

For The Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Investment Revenue	\$ 3,000	\$ 3,000	\$ 4,026	\$ 1,026
Total Revenues	3,000	3,000	4,026	1,026
<u>EXPENDITURES:</u>				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	3,000	3,000	4,026	1,026
FUND BALANCE, July 1, 2012	712,500	712,500	713,517	1,017
FUND BALANCE, June 30, 2013	\$ 715,500	\$ 715,500	\$ 717,543	\$ 2,043

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

LOCAL IMPROVEMENT FUND

For The Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Taxes and Assessments	\$ 7,760	\$ 7,760	\$ 4,614	\$ (3,146)
Investment Revenue	50	50	785	735
Total Revenues	7,810	7,810	5,399	(2,411)
<u>EXPENDITURES:</u>				
Materials and Services	6,150	6,150	2,093	(4,057)
Capital Outlay	223,000	223,000	-	(223,000)
Debt Service:				
Principal	16,900	16,900	10,232	(6,668)
Interest	22,350	22,350	7,316	(15,034)
Total Expenditures	268,400	268,400	19,641	(248,759)
Excess (Deficiency) of Revenues Over Expenditures	(260,590)	(260,590)	(14,242)	246,348
<u>OTHER FINANCING SOURCES (USES):</u>				
Loan Proceeds	223,000	223,000	-	(223,000)
Total Other Financing Sources (Uses)	223,000	223,000	-	(223,000)
Net Change In Fund Balance	(37,590)	(37,590)	(14,242)	23,348
FUND BALANCE, July 1, 2012	129,000	129,000	139,146	10,146
FUND BALANCE, June 30, 2013	\$ 91,410	\$ 91,410	\$ 124,904	\$ 33,494

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

URBAN RENEWAL GENERAL FUND

For The Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis) (See Note 1)	Positive (Negative)
<u>REVENUES:</u>				
Investment Revenue	\$ 50	\$ 50	\$ 921	\$ 871
Other Revenue	5,000	5,000	5,125	125
Total Revenues	5,050	5,050	6,046	996
<u>EXPENDITURES:</u>				
Materials and Services	85,000	85,000	31,655	(53,345)
Contingency	500	500	-	(500)
Total Expenditures	85,500	85,500	31,655	(53,845)
Excess (Deficiency) of Revenues Over Expenditures	(80,450)	(80,450)	(25,609)	54,841
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(22,500)	(22,500)	(13,907)	8,593
Loan Proceeds	300,000	300,000	-	(300,000)
Total Other Financing Sources (Uses):	277,500	277,500	(13,907)	(291,407)
Net Change In Fund Balance	197,050	197,050	(39,516)	(236,566)
FUND BALANCE, July 1, 2012	90,000	90,000	381,184	291,184
FUND BALANCE, June 30, 2013	\$ 287,050	\$ 287,050	\$ 341,668	\$ 54,618

OTHER
SUPPLEMENTARY
INFORMATION

Combining and Individual
Fund Financial Statements

Additional Supporting Schedules

Proprietary Funds

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

WATER FUND (A Major Fund)

For The Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Charges for Services	\$ 649,551	\$ 649,551	\$ 740,364	\$ 90,813
Investment Revenue	3,000	3,000	6,990	3,990
Other Revenue	2,000	2,000	10,385	8,385
Total Revenues	654,551	654,551	757,739	103,188
<u>EXPENDITURES:</u>				
Personal Services	337,636	337,636	281,358	(56,278)
Materials and Services	207,503	207,503	141,793	(65,710)
Capital Outlay	5,000	5,000	3,608	(1,392)
Debt Service				
Principal	39,500	39,500	35,897	(3,603)
Contingency	50,000	50,000	-	(50,000)
Total Expenditures	639,639	639,639	462,656	(176,983)
Excess (Deficiency) of Revenues Over Expenditures	14,912	14,912	295,083	280,171
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(5,000)	(5,000)	(5,000)	-
Total Other Financing Sources (Uses):	(5,000)	(5,000)	(5,000)	-
Net Change In Fund Balance	9,912	9,912	290,083	280,171
FUND BALANCE, July 1, 2012	975,274	975,274	1,238,671	263,397
FUND BALANCE, June 30, 2013	\$ 985,186	\$ 985,186	\$ 1,528,754	\$ 543,568

Reconciliation to Generally Accepted Accounting Principles Basis:

Net Change in Fund Balance from Above	290,083
Debt Repayment - Principal	35,897
Capital Outlay that is Capitalized	6,325
Depreciation Expense	(152,823)
Change in Deferred Revenue	(1,397)
Change in OPEB Accrual	17,904
Basis in Capital Assets Disposed	(191,699)
Equity Transfers In (Out)	(99,786)
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Position	<u>\$ (95,496)</u>

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

SEWER FUND (A Major Fund)

For The Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
	<u>REVENUES:</u>			
Charges for Services	\$ 984,787	\$ 984,787	\$ 966,293	\$ (18,494)
Investment Revenue	4,000	4,000	6,563	2,563
Other Revenue	9,700	9,700	15,869	6,169
Total Revenues	998,487	998,487	988,725	(9,762)
<u>EXPENDITURES:</u>				
Personal Services	282,160	282,160	233,947	(48,213)
Materials and Services	328,486	328,486	167,743	(160,743)
Capital Outlay	71,500	71,500	26,551	(44,949)
Debt Service				
Principal	78,102	82,902	82,889	(13)
Interest	89,402	89,602	91,274	1,672
Contingency	100,000	95,000	-	(95,000)
Total Expenditures	949,650	949,650	602,404	(347,246)
Excess (Deficiency) of Revenues Over Expenditures	48,837	48,837	386,321	337,484
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(105,000)	(105,000)	(105,000)	-
Total Other Financing Sources (Uses):	(105,000)	(105,000)	(105,000)	-
Net Change In Fund Balance	(56,163)	(56,163)	281,321	337,484
FUND BALANCE, July 1, 2012	802,687	802,687	1,107,992	305,305
FUND BALANCE, June 30, 2013	\$ 746,524	\$ 746,524	\$ 1,389,313	\$ 642,789

Reconciliation to Generally Accepted Accounting Principles Basis:

Net Change in Fund Balance from Above	281,321
Debt Repayment - Principal	82,889
Expenditures that are Capitalized	28,757
Depreciation Expense	(282,591)
Change in Deferred Revenue	21,636
Interest Paid by Other Funds	(85,040)
OPEB Expense	17,701
Equity Transfers In (Out)	173,032
Net Income as Reported in Proprietary Funds Statement of Revenues, Expenditures, and Changes in Net Position	<u>\$ 237,705</u>

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

CAPITAL CONSTRUCTION - ENTERPRISE FUND (A Major Fund)

For The Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Taxes and Assessments	\$ 82,344	\$ 82,344	\$ 149,418	\$ 67,074
Investment Revenue	12,000	12,000	18,456	6,456
Total Revenues	94,344	94,344	167,874	73,530
<u>EXPENDITURES:</u>				
Materials and Services	20,000	20,000	-	(20,000)
Capital Outlay	26,000	26,000	16,744	(9,256)
Debt Service				
Principal	114,900	114,900	114,232	(668)
Interest	96,402	96,402	85,040	(11,362)
Total Expenditures	257,302	257,302	216,016	(41,286)
Excess (Deficiency) of Revenues Over Expenditures	(162,958)	(162,958)	(48,142)	114,816
FUND BALANCE, July 1, 2012	2,815,085	2,815,085	2,916,217	101,132
FUND BALANCE, June 30, 2013	\$ 2,652,127	\$ 2,652,127	\$ 2,868,075	\$ 215,948

Reconciliation to Generally Accepted Accounting Principles Basis:

Net Change in Fund Balance from Above	(48,142)
Debt Repayment - Principal	114,232
Capital Outlay that is Capitalized	16,744
Change in Deferred Revenue	31,723
Interest Paid for Other Funds	85,040
Equity Transfers In (Out)	(173,032)
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Position	<u>\$ 26,565</u>

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

CAPITAL PROJECTS FUND - PIPELINE CONSTRUCTION (A Major Fund)

For The Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Interim Financing Proceeds	\$ 13,033,000	\$ 13,033,000	\$ 8,982,846	\$(4,050,154)
Investment Revenue	10	10	555	545
Total Revenues	13,033,010	13,033,010	8,983,401	(4,049,609)
<u>EXPENDITURES:</u>				
Materials and Services	745,000	745,000	512,912	(232,088)
Capital Outlay	12,000,000	12,000,000	8,263,843	(3,736,157)
Debt Service:				
Interim Financing Origination Fee	237,000	237,000	20,071	(216,929)
Interim Interest	300,000	300,000	60,012	(239,988)
Total Expenditures	13,282,000	13,282,000	8,856,838	(4,425,162)
Excess (Deficiency) of Revenues Over Expenditures	(248,990)	(248,990)	126,563	375,553
<u>OTHER FINANCING SOURCES (USES):</u>				
Bond Proceeds	400,000	400,000	-	(400,000)
Total Other Financing Sources (Uses)	400,000	400,000	-	(400,000)
Net Change In Fund Balance	151,010	151,010	126,563	(24,447)
FUND BALANCE, July 1, 2012	5,000	5,000	98,208	93,208
FUND BALANCE, June 30, 2013	\$ 156,010	\$ 156,010	\$ 224,771	\$ 68,761

Reconciliation to Generally Accepted Accounting Principles Basis:

Net Change in Fund Balance from Above	126,563
Interim Financing Proceeds	(8,982,846)
Capital Outlay that is Capitalized	8,856,838
Equity Transfers In (Out)	126,008
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Position	<u>\$ 126,563</u>

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

RESERVE - ENTERPRISE FUND (A Non-Major Fund)

For The Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Investment Revenue	\$ 4,000	\$ 4,000	\$ 7,439	\$ 3,439
Total Revenues	4,000	4,000	7,439	3,439
<u>EXPENDITURES:</u>				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	4,000	4,000	7,439	3,439
FUND BALANCE, July 1, 2012	1,316,516	1,316,516	1,318,297	1,781
FUND BALANCE, June 30, 2013	\$ 1,320,516	\$ 1,320,516	\$ 1,325,736	\$ 5,220

Non-Major Governmental Funds

CITY OF VENETA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Combined Non-Major Special Revenue - Type Funds	Combined Non-Major Debt Service - Type Funds	Combined Non-Major Capital Projects - Type Funds	Total
<u>ASSETS:</u>				
Cash & Investments	\$ 1,053,554	\$ 152,296	\$ 627,742	\$ 1,833,592
Receivables:				
Property Taxes	20,350	-	-	20,350
Loans	15,000	-	-	15,000
Accounts	6,280	-	-	6,280
Liens	-	-	70,437	70,437
Other	11,035	10,619	-	21,654
Total Assets	1,106,219	162,915	698,179	1,967,313
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u>				
Liabilities:				
Accounts Payable	\$ 13,893	\$ -	\$ -	\$ 13,893
Total Liabilities	13,893	-	-	13,893
Deferred Inflows of Resources:				
Revenues Earned not Currently Available	35,089	10,318	70,437	115,844
Total Deferred Inflows of Resources	35,089	10,318	70,437	115,844
Fund Balances:				
Restricted for:				
Debt Service	26,178	152,597	-	178,775
Committed for:				
Parks and Recreation Programs	354,680	-	-	354,680
Community Development Projects	513,367	-	-	513,367
Capital Projects	163,012	-	627,742	790,754
Total Fund Balances	1,057,237	152,597	627,742	1,837,576
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 1,106,219	\$ 162,915	\$ 698,179	\$ 1,967,313

CITY OF VENETA

**Combining Schedule of Revenues,
Expenditures, and Changes in Fund Balances**

NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

For The Fiscal Year Ended June 30, 2013

	Combined Non-Major Special Revenue - Type Funds	Combined Non-Major Debt Service - Type Funds	Combined Non-Major Capital Projects - Type Funds	Total
<u>REVENUES:</u>				
Taxes and Assessments	\$ 304,758	\$ 161,505	\$ 127,542	\$ 593,805
Intergovernmental	46,488	-	-	46,488
Charges for Services	169,263	-	-	169,263
Grants	-	-	2,700	2,700
Investment Revenue	5,546	509	2,686	8,741
Other Revenue	208	-	19,047	19,255
Total Receipts	526,263	162,014	151,975	840,252
<u>EXPENDITURES:</u>				
General Government	146,035	-	-	146,035
Public Safety	5,589	-	-	5,589
Culture and Recreation	225,727	-	-	225,727
Debt Service:				
Principal	205,397	101,750	-	307,147
Interest	25,784	48,525	-	74,309
Capital Outlay	12,638	-	-	12,638
Total Expenditures	621,170	150,275	-	771,445
Excess (Deficiency) of Revenues Over Expenditures	(94,907)	11,739	151,975	68,807
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfers In	275,000	-	-	275,000
Operating Transfers Out	(91,000)	-	-	(91,000)
Total Other Financing Sources (Uses):	184,000	-	-	184,000
Net Change in Fund Balance	89,093	11,739	151,975	252,807
FUND BALANCES, July 1, 2012	968,144	140,858	475,767	1,584,769
FUND BALANCES, June 30, 2013	\$ 1,057,237	\$ 152,597	\$ 627,742	\$ 1,837,576

Non-Major Special
Revenue Funds

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

JUNE 30, 2013

	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
ASSETS:										
Cash & Investments	\$ 262,530	\$ 163,012	\$ -	\$ 156,346	\$ 94,878	\$ 210,699	\$ 791	\$ 139,120	\$ 26,178	\$ 1,053,554
Receivables:										
Property Taxes	7,924	-	-	-	-	12,426	-	-	-	20,350
Loans	-	-	-	15,000	-	-	-	-	-	15,000
Accounts	-	-	-	-	-	-	-	6,280	-	6,280
Other	9,643	-	-	-	-	1,392	-	-	-	11,035
Total Assets	\$ 280,097	\$ 163,012	\$ -	\$ 171,346	\$ 94,878	\$ 224,517	\$ 791	\$ 145,400	\$ 26,178	\$ 1,106,219
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:										
Liabilities:										
Accounts Payable	\$ 10,259	\$ -	\$ -	\$ -	\$ 2,070	\$ 1,477	\$ -	\$ 87	\$ -	\$ 13,893
Total Liabilities	10,259	-	-	-	2,070	1,477	-	87	-	13,893
Deferred Inflows of Resources:										
Revenues Earned not Currently Available	7,967	-	-	15,000	-	12,122	-	-	-	35,089
Total Deferred Inflows of Resources	7,967	-	-	15,000	-	12,122	-	-	-	35,089
FUND BALANCES:										
Restricted for:										
Debt Service	-	-	-	-	-	-	-	-	26,178	26,178
Committed for:										
Parks and Recreation Programs	261,872	-	-	-	92,808	-	-	-	-	354,680
Community Development Projects	-	-	-	156,346	-	210,918	791	145,312	-	513,367
Capital Projects	-	163,012	-	-	-	-	-	-	-	163,012
Total Fund Balances	261,872	163,012	-	156,346	92,808	210,918	791	145,312	26,178	1,057,237
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 280,098	\$ 163,012	\$ -	\$ 171,346	\$ 94,878	\$ 224,517	\$ 791	\$ 145,399	\$ 26,178	\$ 1,106,219

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, 2013

	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
<u>REVENUES:</u>										
Taxes and Assessments	\$ 174,540	\$ -	\$ -	\$ -	\$ -	\$ 130,218	\$ -	\$ -	\$ -	\$ 304,758
Intergovernmental	40,899	-	5,589	-	-	-	-	-	-	46,488
Charges for Services	48,345	-	-	-	64,129	4,284	-	52,505	-	169,263
Investment Revenue	1,022	859	-	911	477	1,183	5	991	98	5,546
Other Revenue	206	-	-	-	1	1	-	-	-	208
Total Receipts	265,012	859	5,589	911	64,607	135,686	5	53,496	98	526,263
<u>EXPENDITURES:</u>										
General Government	-	-	-	5,000	-	127,195	-	13,840	-	146,035
Public Safety	-	-	5,589	-	-	-	-	-	-	5,589
Culture and Recreation	189,393	-	-	-	36,334	-	-	-	-	225,727
Capital Outlay	7,648	4,990	-	-	-	-	-	-	-	12,638
Debt Service:										
Principal	-	-	-	-	-	-	-	-	205,397	205,397
Interest	-	-	-	-	-	-	-	-	25,784	25,784
Total Expenditures	197,041	4,990	5,589	5,000	36,334	127,195	-	13,840	231,181	621,170
Excess (Deficiency) of Revenues Over Expenditures	67,971	(4,131)	-	(4,089)	28,273	8,491	5	39,656	(231,083)	(94,907)
<u>OTHER FINANCING SOURCES (USES):</u>										
Operating Transfers In	20,000	15,000	-	-	-	-	-	-	240,000	275,000
Operating Transfers (Out)	-	-	-	(1,000)	(20,000)	-	-	(70,000)	-	(91,000)
Total Other Financing Sources (Uses):	20,000	15,000	-	(1,000)	(20,000)	-	-	(70,000)	240,000	184,000
Net Change in Fund Balance	87,971	10,869	-	(5,089)	8,273	8,491	5	(30,344)	8,917	89,093
FUND BALANCES, July 1, 2012	173,901	152,143	-	161,435	84,535	202,427	786	175,656	17,261	968,144
FUND BALANCES, June 30, 2013	\$ 261,872	\$ 163,012	\$ -	\$ 156,346	\$ 92,808	\$ 210,918	\$ 791	\$ 145,312	\$ 26,178	\$ 1,057,237

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

PARK AND RECREATION FUND

For The Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>REVENUES:</u>				
Taxes and Assessments	\$ 174,486	\$ 174,486	\$ 174,540	\$ 54
State Revenue Sharing	36,901	36,901	40,899	3,998
Charges for Services	49,500	49,500	48,345	(1,155)
State Grants	195,000	195,000	-	(195,000)
Investment Revenue	975	975	1,022	47
Miscellaneous Revenue	10,400	10,400	206	(10,194)
Total Revenues	467,262	467,262	265,012	(202,250)
<u>EXPENDITURES:</u>				
Personal Services	168,212	168,212	127,570	(40,642)
Materials and Services	106,274	106,274	61,823	(44,451)
Capital Outlay	212,000	212,000	7,648	(204,352)
Contingency	16,000	16,000	-	(16,000)
Total Expenditures	502,486	502,486	197,041	(305,445)
Excess (Deficiency) of Revenues Over Expenditures	(35,224)	(35,224)	67,971	103,195
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	20,000	20,000	20,000	-
Total Other Financing Sources (Uses)	20,000	20,000	20,000	-
Net Change In Fund Balance	(15,224)	(15,224)	87,971	103,195
FUND BALANCE, July 1, 2012	98,945	98,945	173,901	74,956
FUND BALANCE, June 30, 2013	\$ 83,721	\$ 83,721	\$ 261,872	\$ 178,151

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

PUBLIC WORKS EQUIPMENT FUND

For The Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Investment Revenue	\$ 300	\$ 300	\$ 859	559
Total Revenues	300	300	859	559
<u>EXPENDITURES:</u>				
Capital Outlay	5,000	5,000	4,990	(10)
Total Expenditures	5,000	5,000	4,990	(10)
Excess (Deficiency) of Revenues Over Expenditures	(4,700)	(4,700)	(4,131)	569
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	15,000	15,000	15,000	-
Total Other Financing Sources (Uses)	15,000	15,000	15,000	-
Net Change In Fund Balance	10,300	10,300	10,869	569
FUND BALANCE, July 1, 2012	145,000	145,000	152,143	7,143
FUND BALANCE, June 30, 2013	\$ 155,300	\$ 155,300	\$ 163,012	\$ 7,712

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

911 AGENCY FUND

For The Fiscal Year Ended June 30, 2013

	<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>
<u>REVENUES:</u>				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 5,589	\$ (34,411)
Total Revenues	40,000	40,000	5,589	(34,411)
<u>EXPENDITURES:</u>				
Materials and Services	40,000	40,000	5,589	(34,411)
Total Expenditures	40,000	40,000	5,589	(34,411)
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-
FUND BALANCE, July 1, 2012	-	-	-	-
FUND BALANCE, June 30, 2013	\$ -	\$ -	\$ -	\$ -

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

BUSINESS ASSISTANCE GRANT/LOAN FUND

For The Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>REVENUES:</u>				
Investment Revenue	\$ 300	\$ 300	\$ 911	\$ 611
Total Revenues	300	300	911	611
<u>EXPENDITURES:</u>				
Materials and Services	79,050	79,050	5,000	(74,050)
Total Expenditures	79,050	79,050	5,000	(74,050)
Excess (Deficiency) of Revenues Over Expenditures	(78,750)	(78,750)	(4,089)	74,661
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(1,000)	(1,000)	(1,000)	-
Revolving Loan Repayment Proceeds	20	20	-	(20)
Total Other Financing Sources (Uses)	(980)	(980)	(1,000)	(20)
Net Change In Fund Balance	(79,730)	(79,730)	(5,089)	74,641
FUND BALANCE, July 1, 2012	166,028	166,028	161,435	(4,593)
FUND BALANCE, June 30, 2013	\$ 86,298	\$ 86,298	\$ 156,346	\$ 70,048

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

ZUMWALT CAMPGROUND

For The Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u></u>
<u>REVENUES:</u>				
Investment Revenue	\$ 360	\$ 360	\$ 477	\$ 117
Miscellaneous	100	100	1	(99)
Charges for Services	51,800	51,800	64,129	12,329
Total Revenues	52,260	52,260	64,607	12,347
<u>EXPENDITURES:</u>				
Materials and Services	41,500	41,500	36,334	(5,166)
Total Expenditures	41,500	41,500	36,334	(5,166)
Excess (Deficiency) of Revenues Over Expenditures	10,760	10,760	28,273	17,513
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(20,000)	(20,000)	(20,000)	-
Total Other Financing Sources (Uses)	(20,000)	(20,000)	(20,000)	-
Net Change In Fund Balances	(9,240)	(9,240)	8,273	17,513
FUND BALANCE, July 1, 2012	75,000	75,000	84,535	9,535
FUND BALANCE, June 30, 2013	\$ 65,760	\$ 65,760	\$ 92,808	\$ 27,048

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

PLANNING FUND

For The Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note 1)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Taxes and Assessments	\$ 129,092	\$ 129,092	\$ 130,218	\$ 1,126
Charges for Services	6,000	6,000	4,284	(1,716)
Investment Revenue	780	780	1,183	403
Miscellaneous Revenue	50	50	1	(49)
Total Revenues	135,922	135,922	135,686	(236)
<u>EXPENDITURES:</u>				
Personal Services	96,618	106,618	106,245	(373)
Materials and Services	49,326	49,326	20,950	(28,376)
Capital Outlay	5,000	5,000	-	(5,000)
Contingency	10,000	-	-	-
Total Expenditures	160,944	160,944	127,195	(33,749)
Excess (Deficiency) of Revenues Over Expenditures	(25,022)	(25,022)	8,491	33,513
FUND BALANCE, July 1, 2012	180,462	180,462	202,427	21,965
FUND BALANCE, June 30, 2013	\$ 155,440	\$ 155,440	\$ 210,918	\$ 55,478

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

GRANTS FUND

For The Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Investment Revenue	\$ 5	\$ 5	\$ 5	\$ -
Total Revenues	5	5	5	-
<u>EXPENDITURES:</u>				
Materials and Services	100	100	-	(100)
Total Expenditures	100	100	-	(100)
Excess (Deficiency) of Revenues Over Expenditur	(95)	(95)	5	100
FUND BALANCE, July 1, 2012	778	778	786	8
FUND BALANCE, June 30, 2013	\$ 683	\$ 683	\$ 791	\$ 108

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

STORM WATER DRAINAGE FUND

For The Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Charges for Services	\$ 49,219	\$ 49,219	\$ 52,505	\$ 3,286
Investment Revenue	300	300	991	691
Miscellaneous Revenue	25	25	1	(24)
Total Revenues	49,544	49,544	53,497	3,953
<u>EXPENDITURES:</u>				
Personal Services	11,798	11,798	11,063	(735)
Materials and Services	6,656	6,656	2,777	(3,879)
Contingency	10,000	10,000	-	(10,000)
Total Expenditures	28,454	28,454	13,840	(14,614)
Excess (Deficiency) of Revenues Over Expenditures	21,090	21,090	39,657	18,567
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(70,000)	(70,000)	(70,000)	-
Total Other Financing Sources (Uses)	(70,000)	(70,000)	(70,000)	-
Net Change In Fund Balance	(48,910)	(48,910)	(30,343)	18,567
FUND BALANCE, July 1, 2012	162,566	162,566	175,656	13,090
FUND BALANCE, June 30, 2013	\$ 113,656	\$ 113,656	\$ 145,313	\$ 31,657

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

INVERSE CONDEMNATION FUND

For The Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<u>REVENUES:</u>				
Investment Revenue	\$ 50	\$ 50	\$ 98	\$ 48
Total Revenues	50	50	98	48
<u>EXPENDITURES:</u>				
Materials and Services	100	100	-	(100)
Debt Service:				
Principal	206,000	206,000	205,397	(603)
Interest	34,000	34,000	25,784	(8,216)
Total Expenditures	240,100	240,100	231,181	(8,919)
Excess (Deficiency) of Revenues Over Expenditures	(240,050)	(240,050)	(231,083)	8,967
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	240,000	240,000	240,000	-
Total Other Financing Sources (Uses)	240,000	240,000	240,000	-
Net Change in Fund Balance	(50)	(50)	8,917	8,967
FUND BALANCE, July 1, 2012	26,000	26,000	17,261	(8,739)
FUND BALANCE, June 30, 2013	<u>\$ 25,950</u>	<u>\$ 25,950</u>	<u>\$ 26,178</u>	<u>\$ 228</u>

Debt Service Funds
(Major and Non-Major Funds)

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
DEBT SERVICE FUND (A Non-Major Fund)**

For The Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Taxes and Assessments	\$ 160,922	\$ 160,922	\$ 161,505	\$ 583
Investment Revenue	626	626	509	(117)
Total Revenues	161,548	161,548	162,014	466
<u>EXPENDITURES:</u>				
Debt Service				
Principal	138,000	138,000	101,750	(36,250)
Interest	51,500	51,500	48,525	(2,975)
Total Expenditures	189,500	189,500	150,275	(39,225)
Excess (Deficiency) of Revenues Over Expenditures	(27,952)	(27,952)	11,739	39,691
FUND BALANCE, July 1, 2012	65,026	65,026	140,858	75,832
FUND BALANCE, June 30, 2013	\$ 37,074	\$ 37,074	\$ 152,597	\$ 115,523

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

URBAN RENEWAL DEBT SERVICE FUND (A Major Fund)

For The Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u></u>
<u>REVENUES:</u>				
Taxes	\$ 591,076	\$ 591,076	\$ 646,374	\$ 55,298
Investment Revenue	150	150	832	682
Total Revenues	591,226	591,226	647,206	55,980
<u>EXPENDITURES:</u>				
Debt Service	582,081	582,081	282,406	(299,675)
Total Expenditures	582,081	582,081	282,406	(299,675)
Excess (Deficiency) of Revenues Over Expenditures	9,145	9,145	364,800	355,655
FUND BALANCE, July 1, 2012	420,000	420,000	273,978	(146,022)
FUND BALANCE, June 30, 2013	<u>\$ 429,145</u>	<u>\$ 429,145</u>	<u>\$ 638,778</u>	<u>\$ 209,633</u>

Capital Projects Funds
(Major and Non-Major Funds)

CITY OF VENETA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS

June 30, 2013

	Capital Construction - Governmental Fund	New Pool Fund	Total
<u>ASSETS:</u>			
Cash & Investments	\$ 623,213	\$ 4,529	\$ 627,742
Liens Receivable	70,437	-	70,437
Total Assets	693,650	4,529	698,179
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u>			
Liabilities:			
Total Liabilities	-	-	-
Deferred Inflows of Resources:			
Revenues Earned not Currently Available	70,437	-	70,437
Total Deferred Inflows of Resources	70,437	-	70,437
Fund Balances:			
Committed for:			
Capital Projects	623,213	4,529	627,742
Total Fund Balances	623,213	4,529	627,742
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 693,650	\$ 4,529	\$ 698,179

CITY OF VENETA

**Combining Schedule of Revenues,
Expenditures, and Changes in Fund Balances**

NON-MAJOR CAPITAL PROJECTS FUNDS

For The Fiscal Year Ended June 30, 2013

	Capital Construction - Governmental Fund	New Pool Fund	Total
<u>REVENUES:</u>			
Taxes and Assessments	\$ 127,542	\$ -	\$ 127,542
Investment Revenue	2,675	11	2,686
Grants & Donations	-	2,700	2,700
Other Revenue	19,047	-	19,047
Total Receipts	149,264	2,711	151,975
<u>EXPENDITURES:</u>			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	149,264	2,711	151,975
FUND BALANCES, July 1, 2012	473,949	1,818	475,767
FUND BALANCES, June 30, 2013	\$ 623,213	\$ 4,529	\$ 627,742

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

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

For The Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Taxes and Assessments	\$ 68,628	\$ 68,628	\$ 127,542	\$ 58,914
Investment Revenue	1,200	1,200	2,675	1,475
Miscellaneous Revenue	900	900	19,047	18,147
Total Revenues	70,728	70,728	149,264	78,536
<u>EXPENDITURES:</u>				
Capital Outlay	133,750	133,750	-	(133,750)
Total Expenditures	133,750	133,750	-	(133,750)
Excess (Deficiency) of Revenues Over Expenditures	(63,022)	(63,022)	149,264	212,286
FUND BALANCE, July 1, 2012	398,092	398,092	473,949	75,857
FUND BALANCE, June 30, 2013	\$ 335,070	\$ 335,070	\$ 623,213	\$ 288,143

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

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

For The Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Investment Revenue	\$ -	\$ -	\$ 11	\$ 11
Donations	1,200	1,200	2,700	1,500
Total Revenues	1,200	1,200	2,711	1,511
<u>EXPENDITURES:</u>				
Materials and Services	300	300	-	(300)
Total Expenditures	300	300	-	(300)
Excess (Deficiency) of Revenues Over Expenditures	900	900	2,711	1,811
FUND BALANCE, July 1, 2012	318	318	1,818	1,500
FUND BALANCE, June 30, 2013	\$ 1,218	\$ 1,218	\$ 4,529	\$ 3,311

CITY OF VENETA

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

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

For The Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Investment Revenue	\$ -	\$ -	\$ 356	\$ 356
Grants	1,500,000	1,500,000	1,241,105	(258,895)
Miscellaneous Revenue	\$ 1,000	\$ 1,000	\$ 24,953	\$ 23,953
Total Revenues	1,501,000	1,501,000	1,266,414	(234,586)
<u>EXPENDITURES:</u>				
Materials and Services	140,025	155,025	129,362	(25,663)
Capital Outlay	1,620,450	1,605,450	1,161,227	(444,223)
Total Expenditures	1,760,475	1,760,475	1,290,589	(469,886)
Excess (Deficiency) of Revenues Over Expenditures	(259,475)	(259,475)	(24,175)	235,300
FUND BALANCE, July 1, 2012	307,635	307,635	63,188	(244,447)
FUND BALANCE, June 30, 2013	\$ 48,160	\$ 48,160	\$ 39,013	\$ (9,147)

Additional Supporting
Schedules

CITY OF VENETA

SCHEDULE OF PROPERTY TAXES

For The Fiscal Year Ended June 30, 2013

	General Fund Permanent Rate Tax, Subject to Measure 5	Bonds After Measure 5	Bonds Before Measure 5	Total
Assessed Valuation, 2012-13 Tax Roll	\$ 220,803,504	\$ 259,500,053	\$ 220,803,504	
General Fund Permanent Rate Levy, Per \$1,000	0.0056364	-	-	
General Obligation Bond Levy Rate, Per \$1,000	-	-	0.0003383	
General Obligation Bond Levy Rate, Per \$1,000 (Pool)	-	0.0003244	-	
Amount Levy Rates Will Raise	1,244,537	84,182	74,698	1,403,417
Gain From UR Division of Tax Rate Truncation	25	-	12	37
Loss Due to Measure 5 Compression	(20,727)	-	-	(20,727)
Net Tax Levy Imposed	<u>\$ 1,223,835</u>	<u>\$ 84,182</u>	<u>\$ 74,710</u>	<u>\$ 1,382,727</u>

	Uncollected Balance July 1, 2012	Collector's Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2013
2012-13	\$ 1,382,727	\$ (39,907)	\$ 1,298,865	\$ 43,955
2011-12	44,930	(2,221)	17,177	25,532
2010-11	25,080	249	9,002	16,327
2009-10	15,799	468	6,555	9,712
2008-09	4,010	266	2,584	1,692
2007-08	1,216	(2)	286	928
2006-07 & Prior	5,846	20	226	5,640
Total Cash Collections	<u>\$ 1,479,608</u>	<u>\$ (41,126)</u>	<u>\$ 1,334,695</u>	<u>\$ 103,786</u>
Less Accrued Revenue - June 30, 2012			(9,123)	
Add Accrued Revenue - June 30, 2013			7,777	
Total Property Tax Revenue			<u>\$ 1,333,349</u>	

Property Tax Revenues & Receivables by Fund:	Property Tax Revenues			Receivables
	Prior	Current	Totals	
General Fund	\$ 5,219	\$ 194,236	\$ 199,455	\$ 17,294
Debt Service Fund	3,448	157,647	161,095	10,318
Law Enforcement Fund	17,614	651,262	668,876	56,410
Parks & Recreation Fund	2,876	171,385	174,261	7,642
Planning Fund	3,980	125,682	129,662	12,122
TOTALS	<u>\$ 33,137</u>	<u>\$ 1,300,212</u>	<u>\$ 1,333,349</u>	<u>\$ 103,786</u>

CITY OF VENETA

**SCHEDULE OF PROPERTY TAXES
URBAN RENEWAL AGENCY OF THE CITY OF VENETA
(A Component Unit of The City of Veneta)**

For The Fiscal Year Ended June 31, 2013

	Uncollected Balance July 1, 2012	Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2013
2012-13	\$ 655,130	\$ (36,658)	\$ 588,798	\$ 29,674
2011-12	22,005	34,840	46,150	10,695
2010-11	12,444	(1,896)	4,467	6,081
2009-10	8,697	(1,926)	3,605	3,166
2008-09	2,212	(85)	1,417	710
2007-08	640	(24)	150	466
2006-07 & Prior	4,197	(891)	132	3,174
Total Property Taxes	\$ 705,325	\$ (6,640)	\$ 644,719	\$ 53,966
Less Accrued Revenue - June 30, 2012			(3,586)	
Add Accrued Revenue - June 30, 2013			3,901	
Total Property Tax Revenue			\$ 645,034	
Current Year Property Tax Revenue:	Prior	Current	Total	
Urban Renewal Debt Service Fund	\$ 20,349	\$ 626,025	\$ 646,374	
TOTALS	\$ 20,349	\$ 626,025	\$ 646,374	

CITY OF VENETA
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS

For the Fiscal Year Ended June 30, 2013

	Outstanding Balance July 1, 2012	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2013	Due within One Year
GOVERNMENTAL ACTIVITIES					
Note Payable To Siuslaw Bank for the acquisition of land					
Original Balance: \$925,000					
Dated: January 15, 2009					
Interest Rate: 3.475%, adjusted April 2013					
Principal	\$ 672,270	\$ -	\$ 205,397	\$ 466,873	\$ 74,614
Interest	-	25,784	25,784	-	15,474
Totals	\$ 672,270	\$ 25,784	\$ 231,181	\$ 466,873	\$ 90,088
Note Payable To Siuslaw Bank for financing of local improvements to be retired by assessment					
Original Balance: \$223,502					
Dated: June 18, 2009					
Interest Rate: 3.475%, adjusted November, 2012					
Principal	\$ 203,446	\$ -	\$ 10,232	\$ 193,214	\$ 9,281
Interest	-	7,316	7,316	-	6,742
Totals	\$ 203,446	\$ 7,316	\$ 17,548	\$ 193,214	\$ 16,023
Urban Renewal Bonds, Series 2001 issued for the purpose of financing various urban renewal					
Original Balance: \$3,360,000					
Dated: December 2000					
Interest Rate: Varies 3.90% - 5.675%					
Principal	\$ 1,935,000	\$ -	\$ 175,000	\$ 1,760,000	\$ 180,000
Interest	-	106,981	106,981	-	97,575
Totals	\$ 1,935,000	\$ 106,981	\$ 281,981	\$ 1,760,000	\$ 277,575
General Obligation Water Bonds held by Berkadia					
Original Balance: \$1,000,000					
Dated: August 25, 1981					
Interest Rate: 5.00%					
Principal	\$ 104,646	\$ -	\$ 104,646	\$ -	\$ -
Interest	-	2,117	2,117	-	-
Totals	\$ 104,646	\$ 2,117	\$ 106,763	\$ -	\$ -
General Obligation Bonds held by U.S. National Bank for construction of a new swimming pool					
Original Balance: \$1,100,000					
Dated: February 12, 2010					
Interest Rate: 4.45%					
Principal	\$ 1,040,000	\$ -	\$ 33,000	\$ 1,007,000	\$ 36,000
Interest	-	46,408	46,408	-	44,812
Totals	\$ 1,040,000	\$ 46,408	\$ 79,408	\$ 1,007,000	\$ 80,812
TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 3,955,362	\$ -	\$ 528,275	\$ 3,427,087	\$ 299,895
Interest	-	188,606	188,606	-	164,603
Totals	\$ 3,955,362	\$ 188,606	\$ 716,881	\$ 3,427,087	\$ 464,498

Continued

CITY OF VENETA

SCHEDULE OF LONG-TERM DEBT TRANSACTIONS (Continued)

For the Fiscal Year Ended June 30, 2013

	Outstanding Balance July 1, 2012	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2013	Due within One Year
BUSINESS-TYPE ACTIVITIES					
Note Payable with DEQ for Sewer System					
Original Balance: \$1,033,420					
Dated: August 14, 2000					
Interest Rate: 3.43%					
Principal	\$ 101,203	\$ -	\$ 101,203	\$ -	\$ -
Interest	-	309	309	-	-
Totals	\$ 101,203	\$ 309	\$ 101,512	\$ -	\$ -
Revenue Bonds held by USDA Rural Development					
Original Balance: \$4,255,700					
Dated August 8, 2000					
Interest Rate - 4.50%					
Sinking Fund Requirement - \$231,298					
Principal	\$ 3,704,938	\$ -	\$ 64,576	\$ 3,640,362	\$ 67,482
Interest	-	164,127	164,127	-	163,816
Totals	\$ 3,704,938	\$ 164,127	\$ 228,703	\$ 3,640,362	\$ 231,298
Note Payable to Siuslaw Bank for acquisition of property					
Original Balance: \$362,590					
Dated: December 15, 2011					
Interest Rate - 3.475%					
Principal	\$ 346,764		\$ 31,343	\$ 315,421	\$ 32,493
Interest	-	11,878	11,878	-	10,849
Totals	\$ 346,764	\$ 11,878	\$ 43,221	\$ 315,421	\$ 43,342
Interim Financing for Water Pipeline by Cashmere Valley Bank Non-Revolving Credit Facility and Note for Water System Improvements In Drawdown					
Original Balance: \$13,033,000					
Dated: Various					
Interest Rate: 1.95%					
Principal	\$ -	\$ 8,982,846	\$ -	\$ 8,982,846	\$ -
Interest	-	60,012	60,012	-	-
Totals	\$ -	\$ 9,042,858	\$ 60,012	\$ 8,982,846	\$ -
TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 4,152,905	\$ 8,982,846	\$ 197,122	\$ 12,938,629	\$ 99,975
Interest	-	236,326	236,326	-	174,665
Totals	\$ 4,152,905	\$ 9,219,172	\$ 433,448	\$ 12,938,629	\$ 274,640
TOTAL DEBT AGREEMENTS:					
Principal	\$ 8,108,267	\$ 8,982,846	\$ 725,397	\$ 16,365,716	\$ 399,870
Interest	-	424,932	424,932	-	339,268
Totals	\$ 8,108,267	\$ 9,407,778	\$ 1,150,329	\$ 16,365,716	\$ 739,138

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

For the Fiscal Year Ended June 30, 2013

	Fiscal Year Ended June 30,	Sinking Fund Require- ment	Total Payment	Principal	Interest	Fiscal Year- end Balance
<u>Governmental Activities</u>						
Note payable to Siuslaw Bank for the purchase of land	2014	-	90,088	74,614	15,474	392,259
- Original Balance \$925,000	2015	-	90,088	77,278	12,810	314,981
	2016	-	90,088	80,012	10,076	234,969
	2017	-	90,088	82,893	7,195	152,076
	2018	-	90,088	85,853	4,235	66,223
	2019	-	67,395	66,223	1,172	-
Totals		-	517,835	466,873	50,962	
Note Payable To Siuslaw Bank for financing of local improvements to be retired by assessment	2014	-	16,023	9,281	6,742	183,933
- Original Balance \$223,502	2015	-	16,023	9,610	6,413	174,323
	2016	-	16,023	9,936	6,087	164,387
	2017	-	16,023	10,305	5,718	154,082
	2018	-	16,023	10,671	5,352	143,411
	2019	-	16,023	11,051	4,972	132,360
	2020	-	16,023	11,431	4,592	120,929
	2021	-	16,023	11,850	4,173	109,079
	2022	-	16,023	12,271	3,752	96,808
	2023	-	16,023	12,707	3,316	84,101
	2024	-	16,023	13,151	2,872	70,950
	2025	-	16,023	13,626	2,397	57,324
	2026	-	16,023	14,110	1,913	43,214
	2027	-	16,023	14,612	1,411	28,602
	2028	-	16,023	15,129	894	13,473
	2029	-	13,827	13,473	354	-
Totals		-	254,172	193,214	60,958	
Urban Renewal Bonds, Series 2001 issued to finance various urban renewal projects	2014	-	277,575	180,000	97,575	1,580,000
- Original Balance \$3,360,000	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	-
Totals		-	2,231,006	1,760,000	471,006	
General Obligation Bonds held by U.S. National Bank for construction of a new swimming pool facility	2014	-	80,812	36,000	44,812	971,000
- Original Balance \$1,100,000	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	-
Totals		-	1,442,700	1,007,000	435,700	

CONTINUED

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

For the Fiscal Year Ended June 30, 2013

Business-Type Activities

	Fiscal Year Ended June 30,	Sinking Fund Require- ment	Total Payment	Principal	Interest	Fiscal Year- end Balance
Note Payable with USDA Rural Development for Sewer System Improvements - Original Balance \$4,255,700	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	-
Totals			\$ 6,473,119	\$ 3,640,362	\$ 2,832,757	
Note Payable to Siuslaw Bank for acquisition of real property - Original Balance: \$362,590	2014	-	43,342	32,493	10,849	282,928
	2015	-	43,342	33,648	9,694	249,280
	2016	-	43,343	34,822	8,521	214,458
	2017	-	43,342	36,082	7,260	178,376
	2018	-	43,342	37,364	5,978	141,012
	2019	-	43,342	38,692	4,650	102,320
	2020	-	43,342	40,059	3,283	62,261
	2021	-	43,342	41,491	1,851	20,770
	2022	-	21,146	20,770	376	-
Totals			\$ 367,883	\$ 315,421	\$ 52,462	

INDEPENDENT AUDITOR'S
COMMENTS

CITY OF VENETA
AUDITOR'S COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATION
As of June 30, 2013

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

We have audited the basic financial statements of the City of Veneta as of and for the year ended June 30, 2013, and have issued our report thereon dated December 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Veneta's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways and roads (ORS Chapters 294, 368 & 373).**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

For the fiscal year ended June 30, 2013, over-expenditure of appropriations occurred in one fund, as noted on page 37 of the audit report.

The City has adopted new procedures to review actual vs. budget amounts regularly to avoid these over-expenditures in the future.

OAR 162-10-0230 Internal Control

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

This report is intended solely for the information and use of the City Council and management of City of Veneta and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Steve Tuchscherer, CPA, PC
Roseburg, Oregon
December 12, 2013

SINGLE AUDIT SECTION

CITY OF VENETA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2013

Grantor Program and Title	Federal CFDA Number	State Project Number	Receipts	Expenditures
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Passed through Oregon Business Development Department (IFA):				
Oregon Community Development Block Grants	14.228	C11003	1,015,779	1,026,341
U.S. DEPARTMENT OF AGRICULTURE				
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781		9,583,801	9,583,801
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$10,599,580	\$10,610,142

This schedule has been prepared using the modified accual basis of accounting.



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

Honorable Mayor and City Council
City of Veneta, Oregon

I have audited, 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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Veneta as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Veneta's basic financial statements and have issued my report thereon dated December 12, 2013.

Internal Control over Financial Reporting

In planning and performing my audit, I considered City of Veneta's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. Given these limitations, 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 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, non-compliance 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*.

Purpose of this Report

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

Steve Tuchscherer, CPA
December 12, 2013



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

Honorable Mayor and City Council
City of Veneta, Oregon

Report on Compliance for Each Major Federal Program

I have audited the compliance of City of Veneta with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2013. City of Veneta's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of City of Veneta's compliance.

Opinion on Each Major Federal Program

In my opinion, City of Veneta complied, in all material respects, with the types of requirements referred to above that could have a material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of City of Veneta is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered City of Veneta's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of City of Veneta's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read 'S. Tuchscherer', with a stylized flourish at the end.

Steve Tuchscherer, CPA
December 12, 2013

CITY OF VENETA, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2013

Section I—Summary of Auditor’s Results

1. The auditor’s report expresses an unqualified opinion on the financial statements of City of Veneta, Oregon.
2. No material weaknesses in internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of City of Veneta, Oregon were disclosed during the audit.
4. No significant deficiencies in internal control were disclosed by the audit of the financial statements.
5. No material weaknesses or significant deficiencies in internal controls over major programs were disclosed by the audit.
6. The auditor’s report on compliance for the major federal award program expresses an unqualified opinion.
7. The audit did not disclose any findings that are required to be reported.
8. The programs tested as major programs were:
 - a. Community Development Block Grants, CFDA 14.228; and
 - b. Water and Waste Water Disposal Systems for Rural Communities - ARRA, CFDA 10.781.
9. The threshold for distinguishing between Type A and B programs was \$300,000.
10. The City was not determined to be a low-risk auditee.

Section II—Financial Statements Findings

No findings related to the financial statements are reported for the year ended June 30, 2013.

Section III—Findings and Questioned Costs for Federal Awards.

No matters were reported relating to significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

Section IV—Summary Schedule of Prior Audit Findings

There were no findings or questioned costs for the year ended June 30, 2012.