

City of Veneta



VENETA, OREGON

Audit Report

June 30, 2014

STEVE TUCHSCHERER
Certified Public Accountant
A Professional Corporation

CITY OF VENETA

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Veneta, Oregon 97487
(541) 935-2191

CITY OFFICIALS

SANDRA LARSON Mayor
25456 E. Hunter Road, Veneta, Oregon 97487

THOMAS COTTER Council Member
88098 Huston Road, Veneta, Oregon 97487

BRITTANY BOOTHE Council Member
24781 Dunham Avenue, Veneta, Oregon 97487

THOMAS LAING Council Member
PO Box 1304, Veneta, Oregon 97487

VICTORIA HEDENSTROM Council Member
25206 Irenic Drive, Veneta, Oregon 97487

CITY ADMINISTRATION

R. RIC INGHAM City Administrator
PO Box 458, Veneta, OR 97487

SHAUNA HARTZ Finance Director
PO Box 458, Veneta, OR 97487

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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, 2014 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, 2014, 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 12 and 41 through 45 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

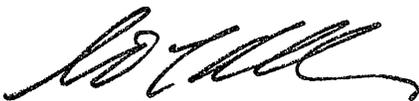
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Veneta's basic financial statements. The combining and individual non-major fund financial statements and additional supporting schedules listed in the table of contents as Other 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 November 20, 2014, 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
November 20, 2014

MANAGEMENT'S DISCUSSION
AND ANALYSIS

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
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, 2014. 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 \$42,951,547 (net position), an increase of \$ \$1,162,127 from June 30, 2013. Of this amount \$3,252,169 is restricted to capital projects and \$2,050,807 is restricted for debt service. All but \$888,231 of the remainder is committed for street and roads, public safety, parks and recreation, community development, and capital projects.
- ❖ Net position increased for governmental activities by \$1,653,016 or 7.6 percent from June 30, 2013, the result of the assets increasing about \$812,000 while the liabilities decreased by just under \$847,000. Net position decreased for business-type activities by \$490,889, a decrease of 2.4 percent from June 30, 2013, both assets and liabilities increased; however, the liabilities increased by a greater amount.
- ❖ As of the close of FY2014, the City of Veneta's governmental funds reported combined ending fund balances of \$7,458,582, an increase of \$971,438 from the prior year. Approximately 12.0 percent of the total amount, or \$888,231, is available for spending at the City Council's discretion (unassigned fund balance).
- ❖ Total governmental activities debt decreased by \$299,609 or percent 9.0 during the FY2014. The total business-type activities debt, on the other hand, increased by 10.0. The increase of \$1,296,452 resulted from the issuance of bonds in an amount larger than the interim debt reported in FY2013.

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.

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Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
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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 seventeen 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 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 15-18 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 19-21 of this report.

Fiduciary Fund. The City has no fiduciary funds.

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Management's Discussion and Analysis (MD&A)
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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 22-40.

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 46-70.

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 \$42,951,547 at the close of fiscal year 2014 and the net position increased by \$1,162,127.

By far the largest portion of the City of Veneta's net position (63.7 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, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	Dollars	%
Cash and investments	7,650,083	\$ 6,414,089	7,449,708	\$ 7,509,694	\$ 15,099,791	\$ 13,923,783	\$ 1,176,008	0.0845
Other assets	420,127	1,162,454	1,000,277	895,155	1,420,404	2,057,609	(637,205)	-0.3097
Capital assets	18,637,534	18,319,083	26,106,019	25,781,367	44,743,553	44,100,450	643,103	0.0146
Total Assets	26,707,744	25,895,626	34,556,004	34,186,216	61,263,748	60,081,842	1,181,906	0.0197
Current liabilities	(676,915)	(1,209,515)	(777,974)	(9,970,453)	(1,454,889)	(11,179,968)	9,725,079	-0.8699
Non-current liabilities	(2,812,171)	(3,127,192)	(13,985,981)	(3,855,791)	(16,798,152)	(6,982,983)	(9,815,169)	1.4056
Total Liabilities	(3,489,086)	(4,336,707)	(14,763,955)	(13,826,244)	(18,253,041)	(18,162,951)	(90,090)	0.0050
Deferred Inflows	51,068	44,345	8,090	85,125	59,158	129,470	(70,312)	-0.5431
Net Position:								
Invested in capital assets net of related debt	15,510,475	14,891,996	11,870,522	21,825,582	27,380,997	36,717,578	(9,336,581)	-0.2543
Restricted for:					-	-		
Debt Service	1,345,235	942,457	705,572	231,298	2,050,807	1,173,755	877,052	0.7472
Capital Projects	313,054	341,668	2,939,115	3,181,484	3,252,169	3,523,152	(270,983)	-0.0769
Unrestricted	5,998,825	5,338,452	4,268,749	(4,963,517)	10,267,574	374,935	9,892,639	26.3849
Total Net Position	\$ 23,167,589	\$ 21,514,573	\$ 19,783,958	\$ 20,274,847	\$ 42,951,547	\$ 41,789,420	\$ 1,162,127	2.78%

An additional portion of the City of Veneta's net position (12.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining portion (24.0 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Veneta is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The

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Management's Discussion and Analysis (MD&A)
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same situation held true for the prior fiscal year. The restricted net position increased in connection with the City of Veneta' governmental-type and decreased in connection with the business-type activities. The changes were \$374,164 and (\$231,905) respectively.

Governmental activities. Governmental activities increased the City of Veneta's net position by \$1,653,016 thereby offsetting the decrease from business-type activities. The increase is largely attributed to conservative spending practices for operations and certain revenue sources increasing with no corresponding capital expenditures. Other noteworthy items appear immediately following the "Changes in Net Position" schedule. Overall the total revenue increased slightly from last year.

CITY OF VENETA								
Changes in Net Position								
	Governmental Activities		Business-type Activities		Total		Variance	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	Dollars	%
Revenues								
Program Revenues:								
Capital grants & contributions	\$ 475,658	\$ 1,041,675	\$ -	\$ (183,699)	\$ 475,658	\$ 857,976	\$ (382,318)	-0.45
Operating grants	40,934	5,612	-	-	40,934	5,612	35,322	6.29
Charges for services	523,093	465,020	2,246,774	1,926,291	2,769,867	2,391,311	378,556	0.16
Total Program Revenues	1,039,685	1,512,307	2,246,774	1,742,592	3,286,459	3,254,899	31,560	0.01
General Revenues:								
Property taxes, franchise and public service tax	2,721,499	2,759,402	-	-	2,721,499	2,759,402	(37,903)	-0.01
Interest & invest earnings	32,909	30,995	40,377	40,003	73,286	70,998	2,288	0.03
Interfund Transfers	-	-	-	-	-	-	-	0.00
Other	4,098	126,848	-	-	4,098	126,848	(122,750)	-0.97
Total General Revenues	2,758,506	2,917,245	40,377	40,003	2,798,883	2,957,248	(158,365)	-0.05
Total Revenues	3,798,191	4,429,552	2,287,151	1,782,595	6,085,342	6,212,147	(126,805)	-0.02
Expenses:								
General government	979,813	1,030,631			979,813	1,030,631	(50,818)	-0.05
Public safety	750,380	739,881			750,380	739,881	10,499	0.01
Highways & streets	232,438	315,247			232,438	315,247	(82,809)	-0.26
Culture & recreation	267,632	225,727			267,632	225,727	41,905	0.19
Interest on debt	160,478	215,242	417,403	176,314	577,881	391,556	186,325	0.48
Water			1,572,987	555,353	1,572,987	555,353	1,017,634	1.83
Sewer			720,853	664,374	720,853	664,374	56,479	0.09
Total Expenses	2,390,741	2,526,728	2,711,243	1,396,041	5,101,984	3,922,769	1,179,215	0.30
Net Position:								
Change in net position before special items	1,407,450	1,902,824	(424,092)	386,554	983,358	2,289,378	(1,306,020)	-0.57
Gain/Loss on Disposition of Assets	-	-	-	-	-	-	-	-
Interfund transfers	85,000	110,000	(85,000)	(110,000)	-	-	-	-
Equity transfer	(18,204)	(26,222)	18,204	26,222	-	-	-	-
Contributed capital	-	-	-	-	-	-	-	-
Change in net position	1,474,246	1,986,602	(490,888)	302,776	983,358	2,289,378	(1,306,020)	-0.57
Net Position Beginning	21,514,573	19,527,971	20,274,847	19,972,071	41,646,610	39,500,042	2,146,568	0.05
Prior Period Adjustment	178,766	-	-	-	178,766	-	178,766	-
Net Position Ending	\$ 23,167,585	\$ 21,514,573	\$ 19,783,959	\$ 20,274,847	\$ 42,808,734	\$ 41,789,420	\$ 1,019,314	0.02

- ❖ Capital grant revenue decreased because the project for which the grant paid for was completed.
- ❖ Operating grant revenue increased because the City was awarded two specific purpose grants.
- ❖ Spending within the general government and streets decreased.
- ❖ Charges for services increased by about \$55,000 due primarily to land use and building. Rates themselves were not increased.

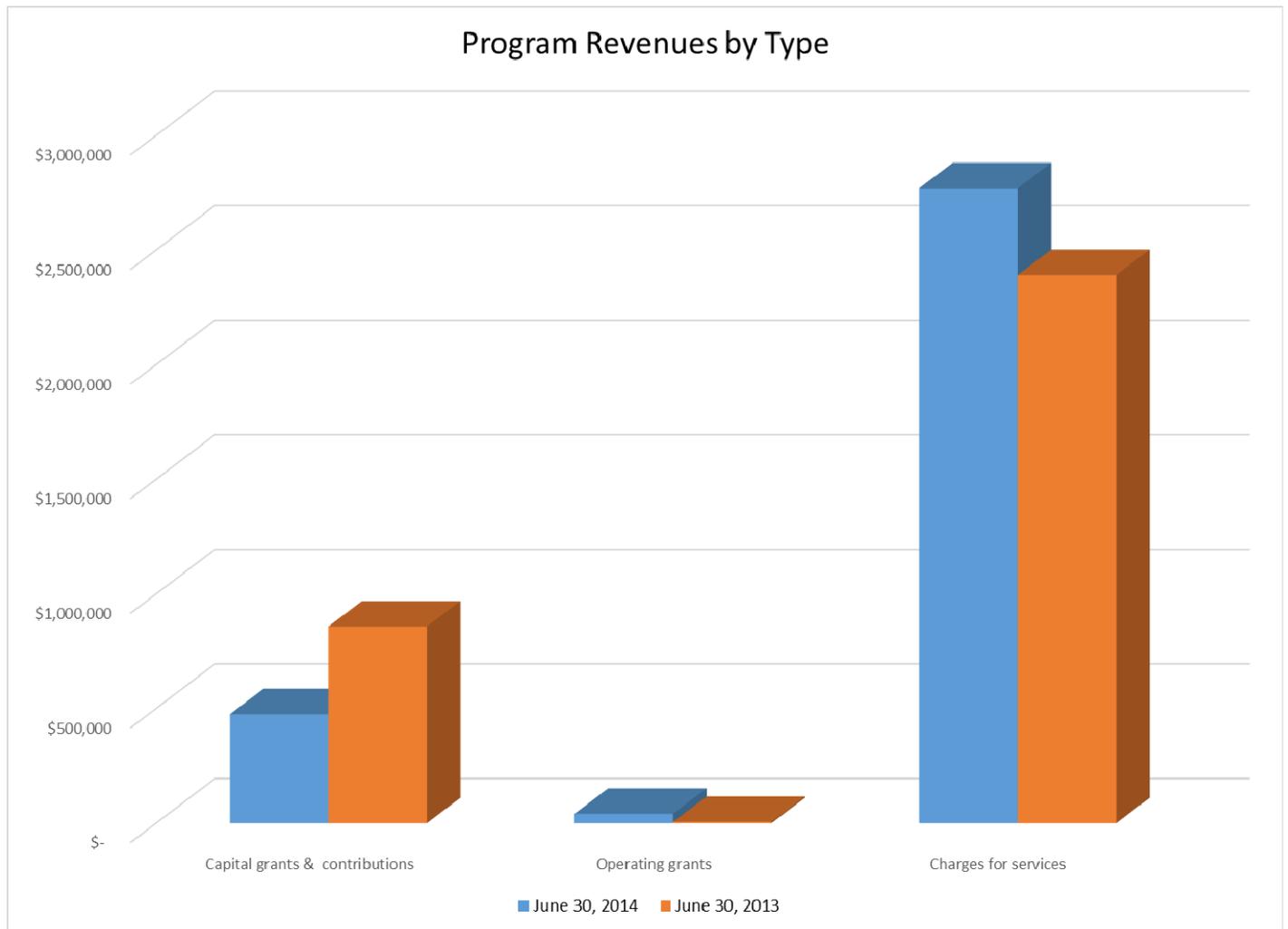
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Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental operating expenditures decreased by about \$50,000. After the Fern Ridge Service Center was completed, the large project activity stopped, whereas in FY2013 overlays were done. Another factor was that the FY2013 included some debt payments not needed or made in FY2014.

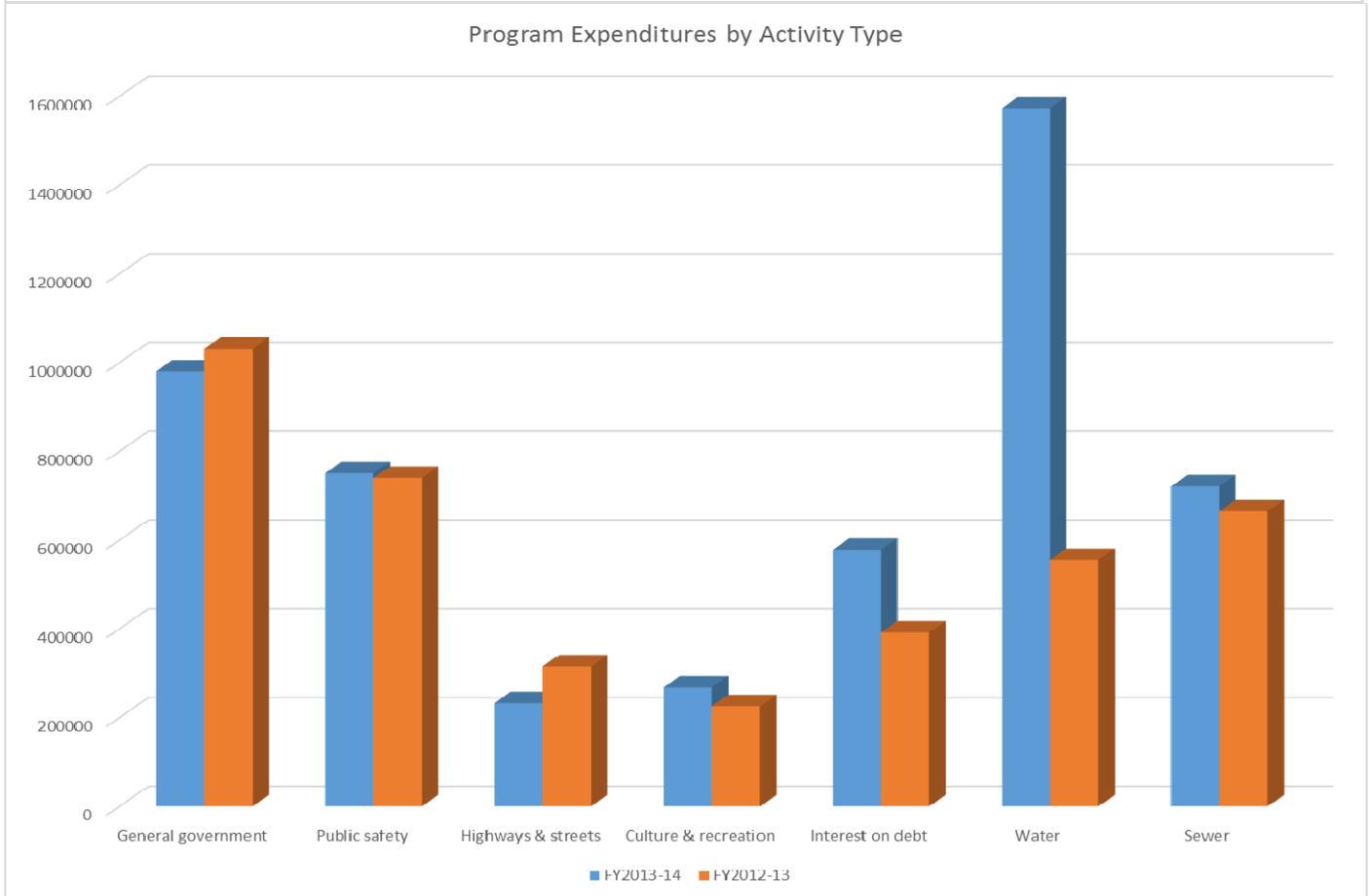
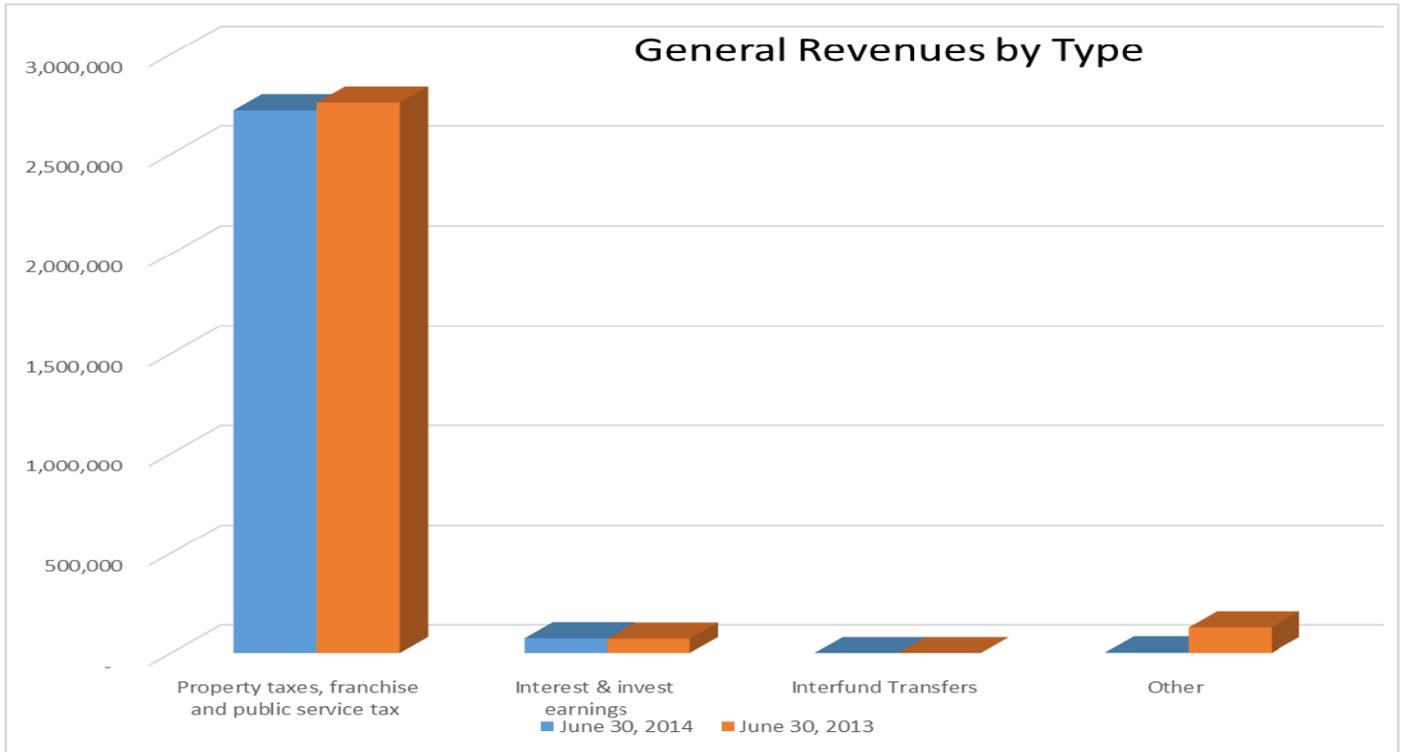
Business-type activities: Business-type activities decreased the City of Veneta's net position by \$490,888. Key elements of this decrease are as follows.

- ❖ The City began purchasing water from the Eugene Water and Electric Board in September 2013. The total paid for the 2014 fiscal year was \$99,620.
- ❖ The other large increase in expenses within the water fund was the interest on the new water bonds.
- ❖ Personal services increased slightly in both operating enterprise funds.
- ❖ The amount spent on Wastewater Plant upgrades increased.

These changes in revenue and expenditures are further demonstrated in the charts below.



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Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
Unaudited



CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
Unaudited

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 \$7,458,582, an increase of \$971,438 in comparison with the prior year. Approximately 11.9 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 restricted or committed to pay debt service (\$1,345,235); future capital projects (\$1,378,735), and for other identified purposes (\$3,846,381).

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 \$888,231. The entire amount is unassigned. As a measure of the general fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Unassigned fund balance exceeds the total general fund expenditures, for the current year, by \$344,398.

During the current year the City's general fund balance increased by \$99,509. Key factors in this growth are as follows:

- ❖ An increase of about \$9,000 is System Development Administrative fees.
- ❖ An increase of about \$13,000 in the amount of property taxes received.
- ❖ The City did not transfer money from the General Fund to the Inverse Condemnation Fund in FY2014. This reduced the expenditures by \$70,000 from last year.

In the Law Enforcement Fund, the fund balance decreased by \$59,000; however, the fund balance of \$449,514 is ample for covering expenditures well into the next fiscal year.

In the Street Fund, the ending fund balance was \$181,649 higher than the prior year. The amount of revenue received did not change significantly from last year; however, the City did not take on any overlay street projects during FY2014. The City is purposely carrying a large fund balance in anticipation of tackling road improvements in the near future. Additionally, the FY2015 budget includes a transfer to the Reserve Governmental Fund.

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

The Local Improvement Fund ending fund balance decreased by \$11,058. 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 \$59,602 which was \$20,589 higher than the beginning fund balance. The increase can be attributed to the receipt of additional private grant funds for building and furnishing the Fern Ridge Service Center. These grants enabled the City to save money previously obtained.

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
Unaudited

Proprietary Funds. The City of Veneta's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Activities in the proprietary funds decreased the City's net position by \$490,888. The primary factors for this decrease were discussed on page 5.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$4,123,023. The total restricted net position decreased by \$231,905. 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 changed during the fiscal year to incorporate the specific purpose grants. Significant variances between budget and actual activity are summarized as follows:

- ❖ Revenues were slightly higher than expected from franchise fees and property taxes.
- ❖ Revenues were significantly higher than expected from building related and electrical permits and from the grants awarded post adoption.
- ❖ Overall expenditures were 88.2 percent of the amount budgeted.

Capital Asset and Debt Administration

Capital Assets: The City of Veneta's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$44,743,553 (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 1.45 percent. The capital assets for both the governmental activities and business-type activities increased slightly over last year. The increases were \$318,451 and \$324,655, respectively. Major capital asset events during the fiscal year 2013-14 were as follows:

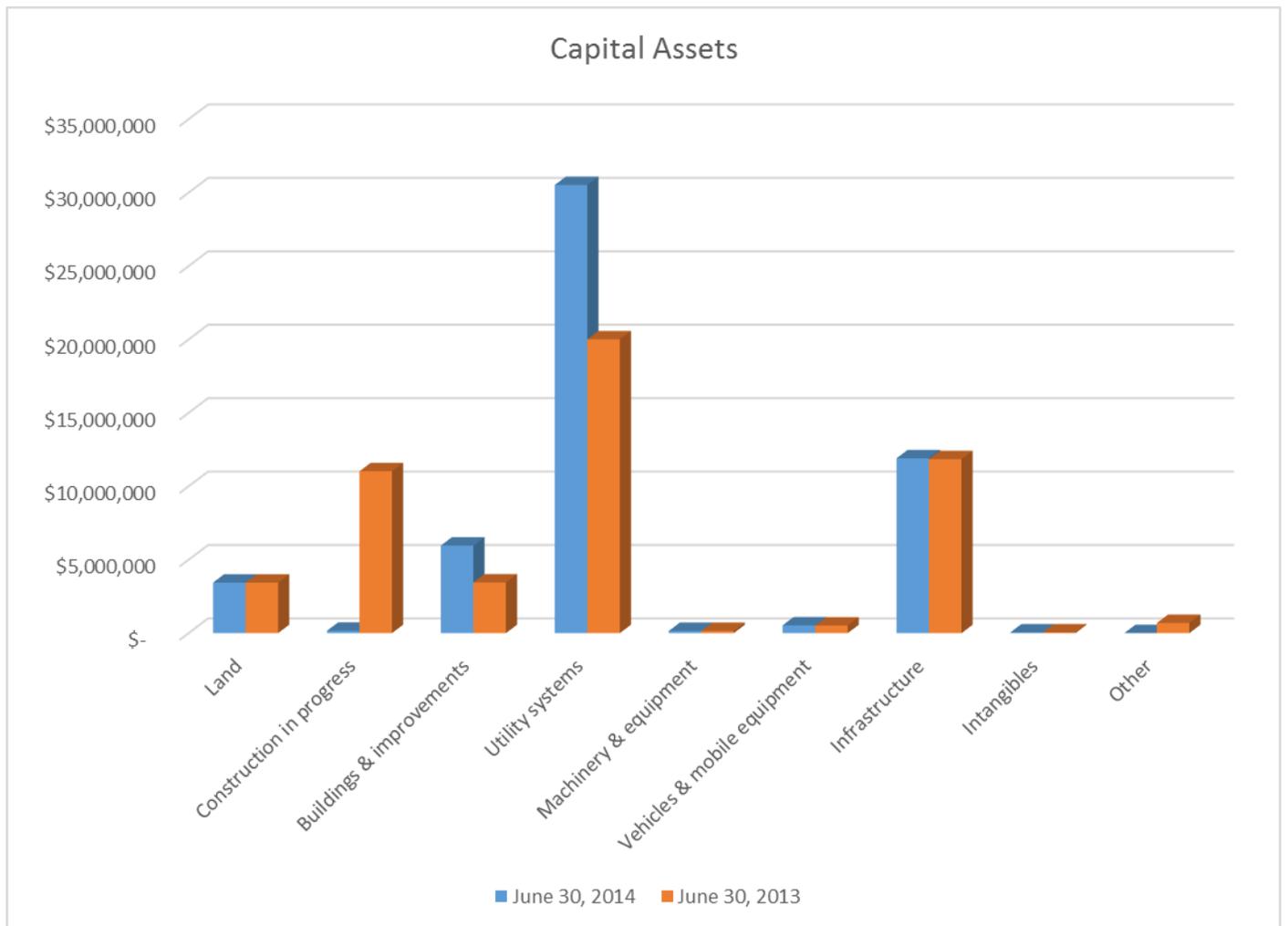
- ❖ Construction of the Fern Ridge Service Center building was completed during the year adding \$446,073 to the previous amount. Additionally, a storage shed was constructed by City staff on the site. Materials totaled \$13,908.
- ❖ The Headwork and SCADA work at the sewer plant was completed at a cost of \$129,555 and Air Piping Upgrade work was started. By June 30, 2014 \$19,252 had been spent. This work will continue into FY2015.
- ❖ Minor improvement work was none on Hunter for a cost of \$72,361.
- ❖ A Bulk Water Station was purchased and partially installed for a cost of \$36,309.
- ❖ Fiber Optic lines were installed from the City's existing line to the West Lane Shopping Center. The cost totaled \$35,069.
- ❖ Construction began in FY2013 on a new building in the public works yard on E. Broadway. The construction was completed by June 30, 2014 adding \$8,375 to the investment.
- ❖ A total of \$678,547 was spent on the final construction and other related services for the water pipeline project.

The net capital asset information is provided in the schedule and in the chart below. Additional information on the City of Veneta's capital assets can be found in Note 3 in the body of the Financial Report. (Net of depreciation)

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
Unaudited

CITY OF VENETA
Capital Assets

	Governmental Activities		Business-type Activities		Total		Variance	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	Dollars	%
Land	\$ 2,681,601	\$ 2,681,601	\$ 756,653	\$ 756,653	\$ 3,438,254	\$ 3,438,254	\$ 0	0.00%
Construction in progress	83,343	1,314,304	73,915	9,709,627	157,258	11,023,931	(10,866,673)	-98.57%
Buildings & improvements	5,964,307	3,453,784			5,964,307	3,453,784	2,510,523	72.69%
Utility systems			30,519,335	20,005,491	30,519,335	20,005,491	10,513,844	52.55%
Machinery & equipment	144,597	144,597			144,597	144,597	-	0.00%
Vehicles & mobile equipment	109,639	124,513	414,295	391,733	523,934	516,246	7,688	1.49%
Infrastructure	11,906,573	11,850,736			11,906,573	11,850,736	55,837	0.47%
Intangibles	46,494	46,494	-	-	46,494	46,494	1	0.00%
Other		689,179			-	689,179	(689,179)	-100.00%
Total Capital Assets	20,936,554	20,305,208	31,764,198	30,863,504	52,700,752	51,168,712	1,532,040	2.99%
Total Depreciation	(2,299,020)	(1,986,125)	(5,658,178)	(5,082,139)	(7,957,198)	(7,068,264)	(888,934)	12.58%
Net Capital Assets	\$ 18,637,534	\$ 18,319,083	\$ 26,106,020	\$ 25,781,365	\$ 44,743,554	\$ 44,100,448	\$ 643,106	1.46%



CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
Unaudited

Long-Term Debt. At the end of the current fiscal year, the City of Veneta had total debt outstanding of \$17,362,559. Of this amount, \$2,550,975 is general obligation bonds, \$859,433 comprises debt backed by the full faith and credit of the government. The remainder of the City's \$13,952,150 debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds), \$10,379,269 of which were issued during the fiscal year.

CITY OF VENETA Outstanding Debt*								
(General Obligation and Revenue Bonds)								
	Governmental Activities		Business-type Activities		Total		Variance	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	Dollars	%
Long Term Obligations:								
Notes payable	\$ 576,503	\$ 660,087	\$ 282,930	\$ 9,298,267	\$ 859,433	\$ 9,958,354	\$ (9,098,921)	-91.37%
Bonds payable	2,550,975	2,767,000	13,952,150	3,640,362	16,503,125	6,407,362	10,095,763	157.57%
Total Obligations	\$ 3,127,478	\$ 3,427,087	\$ 14,235,081	\$ 12,938,629	\$ 17,362,559	\$ 16,365,716	\$ 996,843	6.09%

*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, 2014.

The City of Veneta's total debt increased by \$996,843 or 6.09% during the fiscal year. The \$299,803 made in principal payments was offset by the bonds issued 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 \$6,758,854. The City's current amount of general obligation debt is far below this limit. As mentioned earlier, the City issued revenue bonds during the current fiscal year. 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 not expected to change in FY2015; however, it is expected that water rates will increase by 3%. The increase is needed to ensure the City can maintain operations, current service levels, pay for purchased water, meet future demands for new and upgrading facilities and make the required debt service payments of \$431,000 per year.

Single family residential construction again exceeded expectations during FY2014; however, there are now very few buildable lots available. One large and several small subdivisions are expected to be ready for construction in the summer of 2015. Commercial construction has been limited to remodeling and infill. This is expected to continue, as is the City's efforts to explore opportunities to stimulate and/or support economic development.

The City of Veneta has made it a practice to maintain infrastructure on a regular schedule thereby saving money in the long run and operating at a high efficiency level. Routine maintenance costs do not have a noticeable impact on the budget; however, large maintenance projects can be expensive. Examples of such projects are street overlays, water tank refurbishing/recoating, and replacement of plant components. The needs and priority are set by the Public Works Department staff and communicated to the Finance Department during the budget preparation process.

CITY OF VENETA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014
Unaudited

In October 2013 the City Council conducted a goal setting session. Two of the outcomes, addressing sewer in-fill and street improvements will require significant staff time and money.

All of the above factors were considered when preparing the budget for the 2014-2015 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$888,731. The City of Veneta has appropriated \$116,978 of this amount for spending in the 2015 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, 2014

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	\$ 7,650,083	\$ 7,449,708	\$ 15,099,791
Receivables	390,783	263,070	653,853
Inventory	29,344	31,635	60,979
Total Current Assets	8,070,210	7,744,413	15,814,623
Restricted Assets:			
Sinking Funds for Debt Service	-	705,572	705,572
Total Restricted Assets	-	705,572	705,572
Capital Assets:			
Land	2,681,601	756,653	3,438,254
Buildings and Other	5,964,307	-	5,964,307
Utility Systems	-	30,593,250	30,593,250
Equipment	254,236	414,295	668,531
Intangibles	46,494	-	46,494
Infrastructure	11,906,573	-	11,906,573
Construction in Progress	83,343	-	83,343
Less: Accumulated Depreciation	(2,299,020)	(5,658,178)	(7,957,198)
Total Capital Assets, Net of Depreciation	18,637,534	26,106,019	44,743,553
Total Assets	\$ 26,707,744	\$ 34,556,004	\$ 61,263,748
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 228,714	\$ 54,632	\$ 283,346
Assessments and Surcharges Payable	1,979	-	1,979
Interest Payable	53,047	390,022	443,069
Deposits	61,683	67,200	128,883
OPEB Payable	16,605	16,604	33,209
Current Portion of Long-Term Liabilities:			
Notes Payable	86,888	33,272	120,160
Bonds Payable	228,000	216,244	444,244
Total Current Liabilities	676,915	777,974	1,454,889
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Notes Payable	704,706	250,075	954,781
Bonds Payable	2,107,465	13,735,906	15,843,371
Total Long-Term Liabilities	2,812,171	13,985,981	16,798,152
Total Liabilities	3,489,086	14,763,955	18,253,041
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Other	51,068	-	51,068
Utility Billings Receivable Not Earned	-	8,090	8,090
Total Deferred Inflows of Resources	51,068	8,090	59,158
<u>NET POSITION:</u>			
Invested in capital assets, net of related debt	\$ 15,510,475	\$ 11,870,522	\$ 27,380,997
Restricted for:			
Debt Service	1,345,235	705,572	2,050,807
Capital Projects	313,054	2,939,115	3,252,169
Unrestricted	5,998,825	4,268,749	10,267,574
Total Net Position	\$ 23,167,589	\$ 19,783,958	\$ 42,951,547

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, 2014

	(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	\$ 979,813	\$ 130,211	\$ 40,934	\$ -	\$ (808,668)
Public Safety	750,380	-	-	-	(750,380)
Public Works	232,438	282,370	-	50,000	99,932
Culture and Recreation	267,632	110,512	-	425,658	268,538
Interest Expense	160,478	-	-	-	(160,478)
Total Governmental Activities	\$ 2,390,741	\$ 523,093	\$ 40,934	\$ 475,658	\$ (1,351,056)
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Water Utilities	\$ 1,572,987	\$ 1,072,782	\$ -	\$ -	\$ (500,205)
Sewer Utilities	720,853	1,173,992	-	-	453,139
Interest on Long-Term Debt	417,403	-	-	-	(417,403)
Total Business-type Activities	\$ 2,711,243	\$ 2,246,774	\$ -	\$ -	\$ (464,469)
Total Primary Government	\$ 5,101,984	\$ 2,769,867	\$ 40,934	\$ 475,658	\$ (1,815,524)
<u>CHANGES IN NET POSITION:</u>					
			Governmental Activities	Business-type Activities	Total
Net (expense) revenue			\$ (1,351,056)	\$ (464,469)	\$ (1,815,524)
General Revenues:					
Property Taxes, levied for general purposes			1,205,557	-	1,205,557
Property Taxes, levied for debt service			750,592	-	750,592
Intergovernmental Tax Turnovers			442,492	-	442,492
State Revenue Sharing			43,039	-	43,039
Franchise Taxes			279,822	-	279,822
Interest and Investment Earnings			32,909	40,377	73,286
Other Revenue			4,098	-	4,098
Interfund Transfers			85,000	(85,000)	-
Equity Transfer			(18,204)	18,204	-
Total General Revenues, Special Items and Transfers			2,825,305	(26,419)	2,798,886
Change in Net Position			1,474,249	(490,888)	983,362
Net Position, July 1, 2013			21,514,573	20,274,846	41,789,419
Prior Period Adjustment			178,766	-	178,766
Net Position, June 30, 2014			\$ 23,167,589	\$ 19,783,958	\$ 42,951,547

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, 2014

	<u>Component Unit</u>										
	General Fund	Law Enforcement Fund	Street Fund	Local Improvement Fund	Capital Projects - W. Broadway Development Fund	Capital Construction-Governmental Fund	Debt Service Fund	Urban Renewal General Fund	Urban Renewal Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:											
Cash and Investments	\$ 898,846	\$ 620,796	\$ 1,699,238	\$ 113,848	\$ 55,219	\$ 839,034	\$ 166,715	\$ 315,748	\$ 1,017,070	\$ 1,923,569	\$ 7,650,083
Receivables:											
Accounts	400	12,941	-	-	5,437	-	-	-	-	6,076	24,854
Loans	-	-	-	-	-	-	-	-	-	15,000	15,000
Assessments	-	-	-	58,683	-	-	-	-	-	-	58,683
Property Tax	17,081	54,250	-	-	-	-	9,962	-	54,112	25,170	160,575
Franchise Taxes	21,666	-	21,666	-	-	-	-	-	-	-	43,332
Liens	2,475	-	3,360	-	-	6,398	-	-	-	-	12,233
Other	13,489	-	37,621	-	-	-	-	-	-	24,806	75,916
Patronage Capital	190	-	-	-	-	-	-	-	-	-	190
Inventory - Land	29,344	-	-	-	-	-	-	-	-	-	29,344
Total Assets	\$ 983,491	\$ 687,987	\$ 1,761,885	\$ 172,531	\$ 60,656	\$ 845,432	\$ 176,677	\$ 315,748	\$ 1,071,182	\$ 1,994,621	\$ 8,070,210
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:											
Liabilities:											
Accounts Payable	\$ 12,505	\$ 185,505	\$ 9,618	\$ -	\$ 1,054	\$ -	\$ -	\$ 2,694	\$ -	\$ 17,338	\$ 228,714
Assessments and Surcharges Payable	1,979	-	-	-	-	-	-	-	-	-	1,979
Deposits	-	-	61,683	-	-	-	-	-	-	-	61,683
Total Liabilities	14,484	185,505	71,301	-	1,054	-	-	2,694	-	17,338	292,376
Deferred Inflows of Resources:											
Revenues Earned not Currently Available	80,776	52,968	18,013	58,683	-	6,398	9,723	-	52,839	39,851	319,251
Total Deferred Inflows of Resources	80,776	52,968	18,013	58,683	-	6,398	9,723	-	52,839	39,851	319,251
Fund Balances:											
Restricted for:											
Debt Service	-	-	-	113,848	-	-	166,954	-	1,018,343	46,090	1,345,235
Urban Renewal Projects	-	-	-	-	-	-	-	313,054	-	-	313,054
Committed for:											
Street and Road Projects	-	-	1,672,571	-	-	-	-	-	-	-	1,672,571
Public Safety	-	449,514	-	-	-	-	-	-	-	-	449,514
Parks and Recreation Programs	-	-	-	-	-	-	-	-	-	482,048	482,048
Community Development Projects	-	-	-	-	-	-	-	-	-	1,242,248	1,242,248
Capital Projects	-	-	-	-	59,602	839,034	-	-	-	167,045	1,065,681
Unassigned	888,231	-	-	-	-	-	-	-	-	-	888,231
Total Fund Balances	888,231	449,514	1,672,571	113,848	59,602	839,034	166,954	313,054	1,018,343	1,937,431	7,458,582
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 983,491	\$ 687,987	\$ 1,761,885	\$ 172,531	\$ 60,656	\$ 845,432	\$ 176,677	\$ 315,748	\$ 1,071,182	\$ 1,994,620	\$ 8,070,209

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, 2014

Total Fund Balances - Governmental Funds \$ 7,458,582

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 -	\$20,936,554	
The accumulated depreciation is -	<u>(2,299,020)</u>	
Net Value of Assets		18,637,534

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

Property Taxes	156,740	
Franchises	29,306	
Other Revenues	<u>82,137</u>	
		268,183

Interest Payable is not recorded in the governmental funds (53,047)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. (3,143,664)

Net Position of Governmental Activities **\$ 23,167,589**

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

For The Fiscal Year Ended June 30, 2014

	Component Unit										
	General Fund	Law Enforcement Fund	Street Fund	Local Improvement Fund	Capital Projects - W. Broadway Development Fund	Capital Construction-Governmental Fund	Debt Service Fund	Urban Renewal General Fund	Urban Renewal Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:											
Taxes and Assessments	\$ 218,336	\$ 628,133	\$ -	\$ 4,257	\$ -	\$ 198,674	\$ 94,440	\$ -	\$ 656,152	\$ 359,048	\$ 2,159,040
Intergovernmental	80,993	-	361,499	-	-	-	-	-	-	43,039	485,531
Franchise Taxes	109,398	60,749	109,398	-	-	-	-	-	-	-	279,545
Licenses & Permits	116,243	-	-	-	-	-	-	-	-	-	116,243
Charges for Service	-	-	960	-	-	-	-	-	-	188,991	189,951
Fines and Forfeitures	13,968	-	-	-	-	-	-	-	-	-	13,968
Investment Revenue	4,306	2,994	8,500	708	-	3,542	732	680	1,438	10,009	32,909
Grants & Donations	40,934	-	50,000	-	473,658	-	-	-	-	2,000	566,592
Other Revenue	47,804	-	63	-	11,773	13,605	-	-	-	681	73,926
Total Revenues	631,982	691,876	530,420	4,965	485,431	215,821	95,172	680	657,590	603,768	3,917,705
EXPENDITURES:											
Current Operating:											
General Government	512,334	-	-	-	11,718	-	-	18,934	-	158,723	701,709
Public Safety	-	750,380	-	-	-	-	-	-	-	-	750,380
Highway and Streets	-	-	250,642	-	-	-	-	-	-	-	250,642
Culture and Recreation	-	-	-	-	-	-	-	-	-	267,632	267,632
Debt Service:											
Principal	-	-	-	9,300	-	-	36,025	-	180,000	74,478	299,803
Interest	-	-	-	6,723	-	-	44,790	-	98,025	15,610	165,148
Capital Outlay	31,499	-	93,129	-	453,124	-	-	-	-	18,204	595,956
Total Expenditures	543,833	750,380	343,771	16,023	464,842	-	80,815	18,934	278,025	534,647	3,031,270
Excess (Deficiency) of Revenues Over Expenditures	88,149	(58,504)	186,649	(11,058)	20,589	215,821	14,357	(18,254)	379,565	69,121	886,435
OTHER FINANCING SOURCES (USES):											
Interfund Transfers In	11,360	-	-	-	-	-	-	-	-	145,790	157,150
Interfund Transfers (Out)	-	-	(5,000)	-	-	-	-	(10,360)	-	(56,790)	(72,150)
Total Other Financing Sources (Uses)	11,360	-	(5,000)	-	-	-	-	(10,360)	-	89,000	85,000
Net Change in Fund Balances	99,509	(58,504)	181,649	(11,058)	20,589	215,821	14,357	(28,614)	379,565	158,121	971,435
Fund Balances, July 1, 2013	788,722	508,018	1,490,922	124,906	39,013	623,213	152,597	341,668	638,778	1,779,310	6,487,147
Fund Balances, June 30, 2014	\$ 888,231	\$ 449,514	\$ 1,672,571	\$ 113,848	\$ 59,602	\$ 839,034	\$ 166,954	\$ 313,054	\$ 1,018,343	\$ 1,937,431	\$ 7,458,582

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, 2014

Net Changes in Fund Balances - Total Governmental Funds		\$ 971,435
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	\$ 649,550	
Less current year depreciation	<u>(312,895)</u>	336,655
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	40	
Unused Grant Proceeds	(50,000)	
Franchises	277	
Other Revenues	<u>(69,828)</u>	(119,511)
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.		
		4,445
Additions to certain payroll liabilities are reported as an expense in the Statement of Activities.		
OPEB Obligation		(599)
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		300,028
Amounts transferred to other funds is not recorded in the fund financial statements.		
		(18,204)
Changes in Net Assets of Governmental Position		<u>\$ 1,474,249</u>

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

Proprietary Fund
Financial Statements

CITY OF VENETA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Water Fund	Sewer Fund	Capital Construction - Enterprise Fund	Capital Construction - Pipeline Fund	Reserve - Enterprise Fund	Total Enterprise Funds
ASSETS:						
Current Assets:						
Cash and Investments	\$ 1,534,766	\$ 1,579,891	\$ 2,997,612	\$ 4,620	\$ 1,332,819	\$ 7,449,708
Accounts Receivable	115,151	105,763	21,330	-	-	242,244
Liens Receivable	661	9,082	-	-	-	9,743
Other Receivables	11,083	-	-	-	-	11,083
Inventory	31,635	-	-	-	-	31,635
Total Current Assets	1,693,296	1,694,736	3,018,942	4,620	1,332,819	7,744,413
Restricted Assets:						
Sinking Funds for Debt Service	474,274	231,298	-	-	-	705,572
Total Restricted Assets	474,274	231,298	-	-	-	705,572
Capital Assets:						
Land	265,338	491,315	-	-	-	756,653
Utility Plants	19,508,729	11,084,521	-	-	-	30,593,250
Equipment	217,842	196,453	-	-	-	414,295
Less: Accumulated Depreciation	(2,510,521)	(3,147,657)	-	-	-	(5,658,178)
Total Capital Assets, Net of Depreciation	17,481,387	8,624,632	-	-	-	26,106,019
Total Assets	19,648,957	10,550,666	3,018,942	4,620	1,332,819	34,556,004
LIABILITIES:						
Current Liabilities:						
Accounts Payable	35,368	7,491	7,153	4,620	-	54,632
Interest Payable	245,548	71,800	72,674	-	-	390,022
Deposits	19,069	48,131	-	-	-	67,200
OPEB Payable	8,302	8,302	-	-	-	16,604
Current Portion of Long-Term Liabilities:						
Note Payable	-	-	33,272	-	-	33,272
Bond Payable	145,726	70,518	-	-	-	216,244
Total Current Liabilities	454,013	206,242	113,099	4,620	-	777,974
Long-Term Liabilities:						
Noncurrent Portion of Long-Term Liabilities:						
Note Payable	-	-	250,075	-	-	250,075
Bond Payable	10,233,543	3,502,363	-	-	-	13,735,906
Total Long-Term Liabilities	10,233,543	3,502,363	250,075	-	-	13,985,981
Total Liabilities	10,687,556	3,708,605	363,174	4,620	-	14,763,955
DEFERRED INFLOWS OF RESOURCES:						
Liens Receivable Not Earned	-	8,090	-	-	-	8,090
Total Deferred Inflows of Resources	-	8,090	-	-	-	8,090
NET POSITION:						
Invested in capital assets, net of related debt	7,102,118	5,051,751	(283,347)	-	-	11,870,522
Restricted for:						
Capital Projects	-	-	2,939,115	-	-	2,939,115
Debt Service	474,274	231,298	-	-	-	705,572
Unrestricted	1,385,008	1,550,921	-	-	1,332,820	4,268,749
Total Net Position	\$ 8,961,400	\$ 6,833,970	\$ 2,655,768	\$ -	\$ 1,332,820	\$ 19,783,958

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, 2014

	<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	\$ 949,694	\$ 908,186	\$ 370,205	\$ -	\$ -	\$ 2,228,085
Miscellaneous	3,527	15,162	-	-	-	18,689
Total Revenues	953,221	923,348	370,205	-	-	2,246,774
<u>OPERATING EXPENSES:</u>						
Personnel Services	308,466	267,545	-	-	-	576,011
Materials and Supplies	216,463	169,414	-	748,287	-	1,134,164
Depreciation Expense	299,771	283,894	-	-	-	583,665
Total Operating Expenses	824,700	720,853	-	748,287	-	2,293,840
Income (Loss) from Operations	128,521	202,495	370,205	(748,287)	-	(47,066)
<u>NON-OPERATING REVENUES (EXPENSES):</u>						
Investment Revenue	8,500	7,792	15,584	1,417	7,084	40,377
Interest and Loan Fee Expense	(245,548)	(161,104)	(10,751)	-	-	(417,403)
Total Non-Operating Revenues (Expenses)	(237,048)	(153,312)	4,833	1,417	7,084	(377,026)
Income before Contributions & Transfers	(108,527)	49,183	375,038	(746,870)	7,084	(424,092)
Transfers From (To) Other Funds	(5,000)	(80,000)	-	(195,776)	-	(280,776)
Transfers from Other Funds	195,776	-	-	-	-	195,776
Equity Transfers In (Out)	(708,774)	369,664	(360,562)	717,876	-	18,204
Changes in Net Position	(626,525)	338,847	14,476	(224,770)	7,084	(490,888)
Total Net Position, June 30, 2013	9,587,925	6,495,123	2,641,292	224,770	1,325,736	20,274,846
Total Net Position, June 30, 2014	\$ 8,961,400	\$ 6,833,970	\$ 2,655,768	\$ -	\$ 1,332,820	\$ 19,783,958

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, 2014

	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	\$ 948,338	\$ 868,341	\$ 295,124	\$ -	\$ -	\$ 2,111,803
Cash Payments for Employee Services	(308,167)	(267,246)	-	-	-	(575,413)
Cash Payments to Suppliers	(196,680)	(186,217)	-	(1,346,729)	-	(1,729,626)
Net Cash Provided (Used) by Operating Activities	443,491	414,878	295,124	(1,346,729)	-	(193,236)
<u>Cash Flows from Non-capital Financing Activities:</u>						
Transfer (To) Other Funds	(5,000)	(80,000)	-	(195,776)	-	(280,776)
Transfer from Other Funds	195,776	-	-	-	-	195,776
Repayment of Short Term Borrowing	-	-	-	(9,286,098)	-	(9,286,098)
Net Cash Provided (Used) by Non-capital Financing Activities	190,776	(80,000)	-	(9,481,874)	-	(9,371,098)
<u>Cash Flows from Capital and Related Financing Activities:</u>						
Proceeds from Short-Term and Long-Term Debt	-	-	-	10,995,971	-	10,995,971
Acquisition of Capital Assets	(44,684)	(63,422)	(96,310)	(700,653)	-	(905,069)
Principal Paid on Long Term Debt	-	(33,742)	(66,232)	-	-	(99,974)
Interest Paid on Long Term Debt	-	(81,909)	(92,759)	-	-	(174,668)
Net Cash Provided (Used) by Capital and Related Financing Activities	(44,684)	(179,073)	(255,301)	10,295,318	-	9,816,260
<u>Cash Flows from Investing Activities:</u>						
Investment Income	8,500	7,792	15,584	1,417	7,084	40,377
Net Cash Provided (Used) by Investing Activities	8,500	7,792	15,584	1,417	7,084	40,377
Cash and Cash Equivalents at July 1, 2013	1,422,699	1,513,863	2,942,205	536,489	1,325,736	7,740,992
Cash and Cash Equivalents at June 30, 2014	\$ 2,020,782	\$ 1,677,460	\$ 2,997,612	\$ 4,621	\$ 1,332,820	\$ 8,033,295

Reconciliation of income (loss) from operations

to net cash provided (used) by operating activities:

Income (loss) from operations	\$ 128,521	\$ 202,495	\$ 370,205	\$ (748,287)	\$ -	\$ (47,066)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:						
Depreciation	299,771	283,894	-	-	-	583,665
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	(6,989)	18,054	67,308	-	-	78,373
Decrease (increase) in inventory	(1,845)	-	-	-	-	(1,845)
Increase (decrease) in deposits	2,106	3,976	-	-	-	6,082
Increase (decrease) in payables	21,927	(16,504)	-	(598,442)	-	(593,019)
Increase (decrease) in deferred inflows of resources	-	(77,035)	(142,389)	-	-	(219,424)
Net cash provided (used) by operating activities	<u>\$ 443,491</u>	<u>\$ 414,880</u>	<u>\$ 295,124</u>	<u>\$ (1,346,729)</u>	<u>\$ -</u>	<u>\$ (193,234)</u>

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, 2014

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, 2014

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 accounted. 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.

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.

Capital Construction Fund - Governmental – This fund accounts for revenues from governmental SDC charges.

Debt Service Fund – This fund accounts for revenues from property taxes related to bond issues and expenditures for the debt payments.

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, 2014

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, Planning Fund, Reserve Fund - Governmental, Grants Fund, Inverse Condemnation Fund, Storm Water Drainage Fund, and Zumwalt Campground 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 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, 2014

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, 2014

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, 2014

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 principal 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, 2014

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, 2014.
- 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, 2014.

CITY OF VENETA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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, 2014

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, 2014, the reported amount of the City's deposits was \$1,207,719 and the bank balance was \$1,273,682. 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, 2014, the City's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2014, 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>\$ 14,596,955</u>	N/A
Total Investments	<u><u>\$ 14,596,955</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, 2014

3. CAPITAL ASSETS:

The following is a summary of capital asset activity for the fiscal year ended June 30, 2014:

Governmental Activities	June 30, 2013	Additions	Deletions	June 30, 2014
Assets not being depreciated:				
Land	\$ 2,681,601	\$ -	\$ -	\$ 2,681,601
Construction-In-Process	1,314,304	590,383	1,821,344	83,343
Assets being depreciated:				
Buildings and Other	4,142,963	1,821,344	-	5,964,307
Machinery & Equipment	144,597	-	-	144,597
Vehicles	124,513	-	14,874	109,639
Intangibles	46,494	-	-	46,494
Infrastructure*	11,850,736	55,837	-	11,906,573
Total Depreciable Assets	16,309,303	1,877,181	14,874	18,171,610
Less: Accumulated Depreciation				
Buildings and Other	595,362	133,481	-	728,843
Machinery & Equipment	126,140	3,540	-	129,680
Vehicles	114,642	-	14,874	99,768
Intangibles	18,598	7,999	-	26,597
Infrastructure*	1,131,383	182,749	-	1,314,132
Total Accumulated Depreciation	1,986,125	327,769	14,874	2,299,020
Net Value of Capital Assets Being Depreciated	14,323,178	1,549,412	-	15,872,590
Total Governmental Activities--Net Value of Capital Assets	<u>\$ 18,319,083</u>	<u>\$ 2,139,795</u>	<u>\$ 1,821,344</u>	<u>\$ 18,637,534</u>
Business-type Activities				
Assets not being depreciated:				
Land	\$ 756,653	\$ -	\$ -	\$ 756,653
System - Construction-In-Process	9,706,019	881,740	10,513,844	73,915
Equipment - Construction-In-Progress	3,608	8,375	11,983	-
Assets being depreciated:				
Utility Plants	20,005,491	10,513,844	-	30,519,335
Equipment	391,733	30,187	7,625	414,295
Total Depreciable Assets	20,397,224	10,544,031	7,625	30,933,630
Less: Accumulated Depreciation				
Utility Plants	4,857,907	567,104	-	5,425,011
Equipment	224,232	16,561	7,625	233,168
Total Accumulated Depreciation	5,082,139	583,665	7,625	5,658,179
Net Value of Capital Assets Being Depreciated	15,315,085	9,960,366	-	25,275,451
Total Business-type Activities--Net Value of Capital Assets	<u>\$ 25,781,365</u>	<u>\$ 10,850,481</u>	<u>\$ 10,525,827</u>	<u>\$ 26,106,019</u>
Total Net Position of Primary Government	<u>\$ 44,100,448</u>	<u>\$ 12,990,276</u>	<u>\$ 12,347,171</u>	<u>\$ 44,743,553</u>
Depreciation expense was charged to functions of the primary government as follows:				
Governmental Activities:		Business-Type Activities		
General Government	\$ 327,769		Water Utilities	\$ 299,771
			Sewer Utilities	283,894
Total depreciation expense - governmental activities	<u>\$ 327,769</u>			<u>\$ 583,665</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, 2014

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.

	<u>Outstanding Balance July 1, 2013</u>	<u>New Issues and Interest Matured</u>	<u>Principal and Interest Retired</u>	<u>Outstanding Balance June 30, 2014</u>	<u>Due within One Year</u>
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	\$ 466,873	\$ -	\$ 74,478	\$ 392,395	\$ 77,278
Interest	-	15,610	15,610	-	12,810
Totals	<u>\$ 466,873</u>	<u>\$ 15,610</u>	<u>\$ 90,088</u>	<u>\$ 392,395</u>	<u>\$ 90,088</u>
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	\$ 193,407	\$ -	\$ 9,300	\$ 184,107	\$ 9,610
Interest	-	6,723	6,723	-	6,413
Totals	<u>\$ 193,407</u>	<u>\$ 6,723</u>	<u>\$ 16,023</u>	<u>\$ 184,107</u>	<u>\$ 16,023</u>
Urban Renewal Bonds, Series 2001 issued for the purpose of financing various urban renewal projects					
Original Balance: \$3,360,000					
Dated: December 2000					
Interest Rate: Varies 3.90% - 5.675%					
Principal	\$ 1,760,000	\$ -	\$ 180,000	\$ 1,580,000	\$ 190,000
Interest	-	98,025	98,025	-	87,900
Totals	<u>\$ 1,760,000</u>	<u>\$ 98,025</u>	<u>\$ 278,025</u>	<u>\$ 1,580,000</u>	<u>\$ 277,900</u>
General Obligation Bonds held by U.S. National Bank for construction of a new swimming pool facility					
Original Balance: \$1,100,000					
Dated: February 12, 2010					
Interest Rate: 4.45%					
Principal	\$ 1,007,000	\$ -	\$ 36,025	\$ 970,975	\$ 38,000
Interest	-	44,790	44,790	-	43,210
Totals	<u>\$ 1,007,000</u>	<u>\$ 44,790</u>	<u>\$ 80,815</u>	<u>\$ 970,975</u>	<u>\$ 81,210</u>
TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 3,427,280	\$ -	\$ 299,803	\$ 3,127,477	\$ 314,888
Interest	-	165,148	165,148	-	150,333
Totals	<u>\$ 3,427,280</u>	<u>\$ 165,148</u>	<u>\$ 464,951</u>	<u>\$ 3,127,477</u>	<u>\$ 465,221</u>

CITY OF VENETA
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

4. LONG-TERM DEBT (CONT.):

	Outstanding Balance July 1, 2013	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2014	Due within One Year
BUSINESS-TYPE ACTIVITIES					
Revenue Bond #1 Water Pipeline by USDA Rural Development 91-03					
Original Balance: \$7,033,000					
Dated: September 20, 2013					
Interest Rate: 2.75%					
Principal	\$ -	\$ 7,033,000	\$ -	\$ 7,033,000	\$ 98,744
Interest	-	-	-	-	193,408
Totals	\$ -	\$ 7,033,000	\$ -	\$ 7,033,000	\$ 292,151
Revenue Bond #2 Water Pipeline by USDA Rural Development 91-05					
Original Balance: \$3,346,269					
Dated: September 20, 2013					
Interest Rate: 2.75%					
Principal	\$ -	\$ 3,346,269	\$ -	\$ 3,346,269	\$ 46,983
Interest	-	-	-	-	92,022
Totals	\$ -	\$ 3,346,269	\$ -	\$ 3,346,269	\$ 139,005
Revenue Bonds held by USDA Rural Development for Sewer System Improvements					
Original Balance: \$4,255,700					
Dated August 8, 2000					
Interest Rate - 4.50%					
Sinking Fund Requirement - \$231,298					
Principal	\$ 3,640,362	\$ -	\$ 67,482	\$ 3,572,880	\$ 70,518
Interest	-	161,104	161,104	-	160,780
Totals	\$ 3,640,362	\$ 161,104	\$ 228,586	\$ 3,572,880	\$ 231,298
Note Payable to Siuslaw Bank for acquisition of property					
Original Balance: \$362,590					
Dated: December 15, 2011					
Interest Rate - 3.475%					
Principal	\$ 315,421	-	\$ 32,491	\$ 282,930	\$ 33,648
Interest	-	10,751	10,751	-	9,694
Totals	\$ 315,421	\$ 10,751	\$ 43,242	\$ 282,930	\$ 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	\$ 303,252	\$ 9,286,098	\$ -	\$ -
Interest	-	39,095	39,095	-	-
Totals	\$ -	\$ 342,347	\$ 9,325,193	\$ -	\$ -
TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 12,938,629	\$ 10,682,521	\$ 9,386,071	\$ 14,235,079	\$ 249,892
Interest	-	210,950	210,950	-	455,904
Totals	\$ 12,938,629	\$ 10,893,471	\$ 9,597,021	\$ 14,235,079	\$ 705,796
TOTAL DEBT AGREEMENTS:					
Principal	\$ 16,365,909	\$ 10,682,521	\$ 9,685,874	\$ 17,362,556	\$ 564,780
Interest	-	376,098	376,098	-	606,236
Totals	\$ 16,365,909	\$ 11,058,619	\$ 10,061,972	\$ 17,362,556	\$ 1,171,017

CITY OF VENETA
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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	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	66,359	1,172	67,531
	Total	\$ 392,395	\$ 35,488	\$ 427,883
Note Payable with Siuslaw Bank	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	11,051	4,972	16,023
	2020-2024	61,410	18,705	80,115
	2025-2029	71,124	6,969	78,093
	Total	\$ 184,107	\$ 54,216	\$ 238,323
Urban Renewal Bonds, Series 2001	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	235,000	42,188	277,188
	2020-2021	515,000	43,875	558,875
	Total	1,580,000	373,431	1,953,431
General Obligation Bonds - Swimming Pool Facility	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	54,000	35,289	89,289
	2020-2024	326,000	136,927	462,927
	2025-2029	412,975	56,827	469,802
Total	\$ 970,975	\$ 390,888	\$ 1,361,863	
<u>Business-Type Activities</u>				
Revenue Bond #1 Water Pipeline with USDA Rural Dev	2015	98,744	193,408	292,151
	2016	101,459	190,692	292,151
	2017	104,249	187,902	292,151
	2018	107,116	185,035	292,151
	2019	110,062	182,089	292,151
	2020-2024	597,408	863,347	1,460,755
	2025-2029	684,195	776,560	1,460,755
	2030-2034	783,591	677,164	1,460,755
	2035-2039	897,425	563,330	1,460,755
	2040-2044	1,027,797	432,958	1,460,755
	2045-2049	1,177,109	283,646	1,460,755
	2050-2054	1,343,845	112,643	1,456,489
	Total	\$ 7,033,000	\$ 4,648,774	\$ 11,681,774

CITY OF VENETA
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

4. LONG-TERM DEBT (CONT.):

	Due Fiscal Year Ending June 30,	Principal	Interest	Total
<u>Business-Type Activities (Cont.)</u>				
Revenue Bond #2 Water Pipeline with USDA Rural Dev	2015	46,983	92,022	139,005
	2016	48,275	90,730	139,005
	2017	49,602	89,403	139,005
	2018	50,966	88,039	139,005
	2019	52,368	86,637	139,005
	2020-2024	284,249	410,776	695,025
	2025-2029	325,543	369,482	695,025
	2030-2034	372,836	322,189	695,025
	2035-2039	426,999	268,026	695,025
	2040-2044	489,031	205,994	695,025
	2045-2049	560,074	134,951	695,025
	2050-2054	639,344	53,587	692,931
	Total	<u>\$ 3,346,269</u>	<u>\$ 2,211,837</u>	<u>\$ 5,558,106</u>
Note Payable with USDA Rural Development	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	84,094	147,204	231,298
	2020-2024	480,459	675,731	1,156,190
	2025-2029	599,113	557,350	1,156,463
	2030-2034	746,603	409,887	1,156,490
	2035-2039	930,404	226,086	1,156,490
	2040-2041	430,516	29,182	459,698
	Total	<u>\$ 3,572,880</u>	<u>\$ 2,668,941</u>	<u>\$ 6,241,821</u>
Note Payable to Siuslaw Bank for acquisition of real property	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	38,692	4,650	43,342
	2020-2022	102,322	5,510	107,832
	Total	<u>\$ 282,930</u>	<u>\$ 41,613</u>	<u>\$ 324,543</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, 2014

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, 2014 were 9.69% and 8.16% 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, 2014, 2013, and 2012 were \$120,373, \$107,192 and \$106,077 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, 2014, was \$4,529, 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 with 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, 2014

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

components of the City's annual OPEB cost for the fiscal year ending June 30, 2014, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 11,808
Interest on net OPEB obligation	1,521
Adjustment to the annual required contribution	<u>(7,603)</u>
Annual OPEB cost (expense)	5,726
Contributions made	<u>4,529</u>
Increase in net OPEB obligation	1,197
Net OPEB obligation, beginning of year	<u>32,012</u>
Net OPEB obligation, end of year	<u><u>\$ 33,209</u></u>

7. COMMITMENTS AND 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.

The City has entered into a surplus water purchase agreement with Eugene Water and Electric Board (EWEB). The agreement specifies an initial term of 40 years. City of Veneta can request renewal for an additional term(s) of ten (10) years not less than five years prior to the expiration of the initial term or any renewed term. EWEB will have 180 days to determine if it has surplus water for the renewal term. Either party may terminate the agreement upon providing written notice to the other not less than five years prior to the agreement termination date.

City of Veneta will be charged under the agreement equal to an amount estimated to be proportionate to its share of the cost to EWEB of providing water, using standard cost-of-service and ratemaking principles, as described in the Manual M-1, published by AWWA *Manual of Water Supply Practices-M1. Principles of Water Rates, Fees and Charges*. Fifth Edition Denver: 2000 and future Editions of the Manual M-1. The City is committed to purchasing, on average, a minimum of 6 million gallons of water per month.

CITY OF VENETA
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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.

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund transfers for the year ended June 30, 2014 were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ -	\$ 11,360
Park and Recreation Fund	-	20,790
Street Fund	5,000	-
Water Fund	5,000	195,776
Sewer Fund	80,000	-
Storm Drainage Fund	35,000	-
Public Works Fund	-	15,000
Zumwalt Campground Fund	20,000	-
Business Assistance Grant Loan Fund	1,000	-
Grants Fund	790	-
Inverse Condemnation Fund	-	110,000
Capital Projects - Pipeline Construction	195,776	-
Urban Renewal General Fund	10,360	-
Total	<u>\$ 352,926</u>	<u>\$ 352,926</u>

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, 2014

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, 2014, the various components of deferred inflows of resources consist of the following:

Deferred Inflows of Resources - Governmental Funds - Budget Basis:

	General	Law	Street	Local	Capital	Debt	Urban	Other	Total
	Fund	Enforcement	Fund	Improvement	Construction	Service	Renewal	Governmental	
		Fund	Fund	Fund	Fund	Fund	Debt Service	Funds	
							Fund		
Property Taxes	\$ 16,684	\$ 52,968	\$ -	\$ -	\$ -	\$ 9,723	\$ 52,839	\$ 24,526	\$ 156,740
Liens	2,475	-	3,360	58,683	6,398	-	-	-	70,916
Franchise Taxes	14,653	-	14,653	-	-	-	-	-	29,306
Other	46,964	-	-	-	-	-	-	15,325	62,289
Total	\$ 80,776	\$ 52,968	\$ 18,013	\$ 58,683	\$ 6,398	\$ 9,723	\$ 52,839	\$ 39,851	\$ 319,251

11. PRIOR PERIOD ADJUSTMENT:

For June 30, 2013 and the fiscal year then ended, governmental activities reported accrued interest of \$236,258. The amount that should have been reported was \$57,492. The \$178,766 one-time correction appears as a prior period adjustment on page 14, Statement of Activities. The Net Position of the Governmental Activities as of June 30, 2013, should have been \$21,693,339, instead of the amount previously reported of \$21,514,573.

The adjustment does not affect budgetary fund balances or budgetary expenditures for the prior or current years.

CITY OF VENETA
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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, 2014 are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Total Assets	\$ 19,648,957	\$ 10,550,666	\$ 30,199,623
Current Assets	1,693,296	1,694,736	3,388,032
Restricted Assets	474,274	231,298	705,572
Capital Assets	17,481,387	8,624,632	26,106,019
Total Liabilities	10,687,556	3,708,605	14,396,161
Current Liabilities	454,013	206,242	660,255
Non-Current Liabilities	10,233,543	3,502,363	13,735,906
Total Net Position	8,961,400	6,833,970	15,795,370
Invested in Capital Assets, net of related debt	7,102,118	5,051,751	12,153,869
Restricted for Debt Service	474,274	231,298	705,572
Unrestricted	1,385,008	1,550,921	2,935,929
Operating Revenues	953,221	923,348	1,876,569
Operating Expenses			
Depreciation	299,771	283,894	583,665
Operating Income (Loss)	128,521	202,495	331,016
Non-Operating Revenues	8,500	7,792	16,292
Transfers To (From)	(5,000)	(80,000)	(85,000)
Change In Net Position	(626,525)	338,847	(287,678)
Beginning Net Position	9,587,925	6,495,123	16,083,048
Ending Net Position	8,961,400	6,833,970	15,795,370
Cash Provided (Used) by:			
Operating Activities	443,491	414,878	858,369
Non Capital Financing Activities	190,776	(80,000)	110,776
Capital & Related Financing	(44,684)	(179,073)	(223,757)
Investing Activities	8,500	7,792	16,292
Beginning Cash	1,422,699	1,513,863	2,936,562
Ending Cash	\$ 2,020,782	\$ 1,677,460	\$ 3,698,242

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, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Taxes and Assessments	214,769	214,769	218,336	3,567
Intergovernmental	77,146	77,146	80,993	3,847
Franchise Taxes	95,498	95,498	109,398	13,900
Licenses and Permits	50,563	50,563	116,243	65,680
Fines and Forfeitures	22,000	22,000	13,968	(8,032)
Investment Revenue	2,800	2,800	4,306	1,506
Grants	6,000	60,010	40,934	(19,076)
Other Revenue	38,434	38,434	47,804	9,370
Total Revenues	507,210	561,220	631,982	70,762
<u>EXPENDITURES:</u>				
Personnel Services	320,329	320,329	289,208	(31,121)
Materials and Services	204,186	256,196	223,126	(33,070)
Capital Outlay	7,875	39,875	31,499	(8,376)
Contingency	30,000	-	-	-
Total Expenditures	562,390	616,400	543,833	(72,567)
Excess (Deficiency) of Revenues Over Expenditures	(55,180)	(55,180)	88,149	143,329
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	16,000	16,000	11,360	(4,640)
Total Other Financing Sources (Uses):	16,000	16,000	11,360	(4,640)
Net Change in Fund Balance	(39,180)	(39,180)	99,509	138,689
Fund Balance, July 1, 2013	646,125	646,125	788,722	142,597
Fund Balance, June 30, 2014	\$ 606,945	\$ 606,945	\$ 888,231	\$ 281,286

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, 2014

	<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	\$ 613,898	\$ 613,898	\$ 628,133	\$ 14,235
Franchise Tax - Telecommunications	54,365	54,365	60,749	6,384
Investment Revenue	2,000	2,000	2,994	994
Total Revenues	670,263	670,263	691,876	21,613
<u>EXPENDITURES:</u>				
Materials and Services	790,900	790,900	750,380	(40,520)
Capital Outlay	5,000	5,000	-	(5,000)
Contingency	5,000	5,000	-	(5,000)
Total Expenditures	800,900	800,900	750,380	(50,520)
Excess (Deficiency) of Revenues Over Expenditures	(130,637)	(130,637)	(58,504)	72,133
Fund Balance, July 1, 2013	429,813	429,813	508,018	78,205
Fund Balance, June 30, 2014	\$ 299,176	\$ 299,176	\$ 449,514	\$ 150,338

CITY OF VENETA

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

STREET FUND

For The Fiscal Year Ended June 30, 2014

	<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>				
Intergovernmental	\$ 323,918	\$ 323,918	\$ 361,499	\$ 37,581
Franchise Taxes	95,498	95,498	109,398	13,900
Grant Revenue	50,000	50,000	50,000	-
Licenses and Permits	600	600	960	360
Investment Revenue	5,500	5,500	8,500	3,000
Other Revenue	100	100	63	(37)
Total Revenues	475,616	475,616	530,420	54,804
<u>EXPENDITURES:</u>				
Personnel Services	124,670	124,670	113,213	(11,457)
Materials and Services	276,057	236,057	137,429	(98,628)
Capital Outlay	36,995	101,995	93,129	(8,866)
Contingency	35,000	10,000	-	(10,000)
Total Expenditures	472,722	472,722	343,771	(128,951)
Excess (Deficiency) of Revenues Over Expenditures	2,894	2,894	186,649	183,755
<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	(2,106)	(2,106)	181,649	183,755
Fund Balance, July 1, 2013	1,066,246	1,066,246	1,490,922	424,676
Fund Balance, June 30, 2014	\$ 1,064,140	\$ 1,064,140	\$ 1,672,571	\$ 608,431

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, 2014

	<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	\$ 52,380	\$ 52,380	\$ 4,257	\$ (48,123)
Investment Revenue	500	500	708	208
Total Revenues	52,880	52,880	4,965	(47,915)
<u>EXPENDITURES:</u>				
Materials and Services	11,150	11,150	-	(11,150)
Capital Outlay	223,000	223,000	-	(223,000)
Debt Service:				
Principal	17,400	17,400	9,300	(8,100)
Interest	22,600	22,600	6,723	(15,877)
Total Expenditures	274,150	274,150	16,023	(258,127)
Excess (Deficiency) of Revenues Over Expenditures	(221,270)	(221,270)	(11,058)	210,212
<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	1,730	1,730	(11,058)	(12,788)
Fund Balance, July 1, 2013	314,410	314,410	124,906	(189,504)
Fund Balance, June 30, 2014	\$ 316,140	\$ 316,140	\$ 113,848	\$ (202,292)

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis) (See Note 1)	Positive (Negative)
<u>REVENUES:</u>				
Investment Revenue	\$ 50	\$ 50	\$ 680	\$ 630
Total Revenues	50	50	680	630
<u>EXPENDITURES:</u>				
Materials and Services	63,250	63,250	18,934	(44,316)
Contingency	500	500	-	(500)
Total Expenditures	63,750	63,750	18,934	(44,816)
Excess (Deficiency) of Revenues Over Expenditures	(63,700)	(63,700)	(18,254)	45,446
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(224,000)	(224,000)	(10,360)	213,640
Loan Proceeds	300,000	300,000	-	(300,000)
Total Other Financing Sources (Uses):	76,000	76,000	(10,360)	(86,360)
Net Change In Fund Balance	12,300	12,300	(28,614)	(40,914)
Fund Balance, July 1, 2013	287,050	287,050	341,668	54,618
Fund Balance, June 30, 2014	\$ 299,350	\$ 299,350	\$ 313,054	\$ 13,704

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, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Charges for Services	\$ 869,122	\$ 869,122	\$ 941,715	\$ 72,593
Investment Revenue	3,000	3,000	8,500	5,500
Other Revenue	500	500	12,026	11,526
Total Revenues	872,622	872,622	962,241	89,619
<u>EXPENDITURES:</u>				
Personnel Services	332,763	332,763	308,166	(24,597)
Materials and Services	287,935	287,935	216,463	(71,472)
Capital Outlay	62,875	62,875	44,684	(18,191)
Debt Service				
Principal	163,444	163,444	-	(163,444)
Interest	404,830	404,830	245,548	(159,282)
Contingency	50,000	50,000	-	(50,000)
Total Expenditures	1,301,847	1,301,847	814,861	(486,986)
Excess (Deficiency) of Revenues Over Expenditures	(429,225)	(429,225)	147,380	576,605
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	900,000	900,000	195,776	(704,224)
Operating Transfer (Out)	(5,000)	(5,000)	(5,000)	-
Total Other Financing Sources (Uses):	895,000	895,000	190,776	(704,224)
Net Change In Fund Balance	465,775	465,775	338,156	(127,619)
Fund Balance, July 1, 2013	1,004,274	1,004,274	1,528,754	524,480
Fund Balance, June 30, 2014	\$ 1,470,049	\$ 1,470,049	\$ 1,866,910	\$ 396,861

Reconciliation to Generally Accepted Accounting Principles Basis:

Net Change in Fund Balance from Above	338,156
Capital Outlay that is Capitalized	44,684
Depreciation Expense	(299,771)
Change in Deferred Revenue	(520)
Change in OPEB Accrual	(300)
Equity Transfers In (Out)	(708,774)
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Position	<u>\$ (626,525)</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, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Charges for Services	\$ 930,606	\$ 930,606	\$ 1,072,629	\$ 142,023
Investment Revenue	4,000	4,000	7,792	3,792
Other Revenue	9,700	9,700	15,162	5,462
Total Revenues	944,306	944,306	1,095,583	151,277
<u>EXPENDITURES:</u>				
Personnel Services	291,090	291,090	267,246	(23,844)
Materials and Services	412,942	412,942	169,414	(243,528)
Capital Outlay	51,460	76,460	63,422	(13,038)
Debt Service				
Principal	33,750	58,750	33,741	(25,009)
Interest	82,000	82,000	80,552	(1,448)
Contingency	100,000	50,000	-	(50,000)
Total Expenditures	971,242	971,242	614,375	(356,867)
Excess (Deficiency) of Revenues Over Expenditures	(26,936)	(26,936)	481,208	508,144
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(80,000)	(80,000)	(80,000)	-
Total Other Financing Sources (Uses):	(80,000)	(80,000)	(80,000)	-
Net Change In Fund Balance	(106,936)	(106,936)	401,208	508,144
Fund Balance, July 1, 2013	1,056,000	1,056,000	1,389,313	333,313
Fund Balance, June 30, 2014	\$ 949,064	\$ 949,064	\$ 1,790,521	\$ 841,457

Reconciliation to Generally Accepted Accounting Principles Basis:

Net Change in Fund Balance from Above	401,208
Debt Repayment - Principal	33,741
Expenditures that are Capitalized	63,422
Depreciation Expense	(283,894)
Change in Deferred Revenue	(164,443)
Interest Paid by Other Funds	(80,552)
OPEB Expense	(299)
Equity Transfers In (Out)	369,664
Net Income as Reported in Proprietary Funds Statement of Revenues, Expenditures, and Changes in Net Position	<u>\$ 338,847</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, 2014

	<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	\$ 166,200	\$ 166,200	\$ 295,124	\$ 128,924
Investment Revenue	12,000	12,000	15,584	3,584
Total Revenues	178,200	178,200	310,708	132,508
<u>EXPENDITURES:</u>				
Materials and Services	25	25	-	(25)
Capital Outlay	105,250	105,250	103,463	(1,787)
Debt Service				
Principal	64,000	64,000	66,232	2,232
Interest	97,000	97,000	91,303	(5,697)
Total Expenditures	266,275	266,275	260,998	(5,277)
Excess (Deficiency) of Revenues Over Expenditures	(88,075)	(88,075)	49,710	137,785
Fund Balance, July 1, 2013	2,758,167	2,758,167	2,868,075	109,908
Fund Balance, June 30, 2014	\$ 2,670,092	\$ 2,670,092	\$ 2,917,785	\$ 247,693

Reconciliation to Generally Accepted Accounting Principles Basis:

Net Change in Fund Balance from Above	49,710
Debt Repayment - Principal	66,232
Capital Outlay that is Capitalized	103,463
Change in Deferred Revenue	75,081
Interest Paid for Other Funds	80,552
Equity Transfers In (Out)	(360,562)
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Position	<u>\$ 14,476</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, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Interim Financing Proceeds	\$ 1,600,000	\$ 1,600,000	\$ 303,252	\$(1,296,748)
Investment Revenue	10	10	1,417	1,407
Total Revenues	1,600,010	1,600,010	304,669	(1,295,341)
<u>EXPENDITURES:</u>				
Materials and Services	340,000	340,000	193,581	(146,419)
Capital Outlay	2,660,849	2,660,849	1,194,158	(1,466,691)
Debt Service:				
Interim Principal	10,353,151	10,353,151	9,286,098	(1,067,053)
Interim Interest	250,010	250,010	39,095	(210,915)
Total Expenditures	13,604,010	13,604,010	10,712,932	(2,891,078)
Excess (Deficiency) of Revenues Over Expenditures	(12,004,000)	(12,004,000)	(10,408,263)	1,595,737
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(700,000)	(700,000)	(195,776)	(504,224)
Bond Proceeds	11,000,000	11,000,000	10,379,269	(620,731)
Loan Proceeds	1,054,000	1,054,000	-	(1,054,000)
Total Other Financing Sources (Uses)	11,354,000	11,354,000	10,183,493	(1,170,507)
Net Change In Fund Balance	(650,000)	(650,000)	(224,770)	425,230
Fund Balance, July 1, 2013	650,000	650,000	224,770	(425,230)
Fund Balance, June 30, 2014	\$ -	\$ -	\$ -	\$ -

Reconciliation to Generally Accepted Accounting Principles Basis:

Net Change in Fund Balance from Above	(224,770)
Interim Financing Proceeds	(303,252)
Bond Proceeds	(10,379,269)
Capital Outlay that is Capitalized	678,547
Equity Transfers In (Out)	717,876
Interfund Loan In	9,286,098
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Position	<u>\$ (224,770)</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Investment Revenue	\$ 4,029	\$ 4,029	\$ 7,084	\$ 3,055
Total Revenues	4,029	4,029	7,084	3,055
<u>EXPENDITURES:</u>				
Contingency	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	4,029	4,029	7,084	3,055
Fund Balance, July 1, 2013	1,322,326	1,322,326	1,325,736	3,410
Fund Balance, June 30, 2014	<u>\$ 1,326,355</u>	<u>\$ 1,326,355</u>	<u>\$ 1,332,820</u>	<u>\$ 6,465</u>

Non-Major Governmental Funds

CITY OF VENETA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Combined Non-Major Special Revenue - Type Funds	Combined Non-Major Capital Projects - Type Funds	Total
<u>ASSETS:</u>			
Cash & Investments	\$ 1,917,040	\$ 6,529	\$ 1,923,569
Receivables:			
Property Taxes	25,170	-	25,170
Loans	15,000	-	15,000
Accounts	6,076	-	6,076
Other	24,806	-	24,806
Total Assets	1,988,092	6,529	1,994,621
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u>			
Liabilities:			
Accounts Payable	\$ 17,338	\$ -	\$ 17,338
Total Liabilities	17,338	-	17,338
Deferred Inflows of Resources:			
Revenues Earned not Currently Available	39,851	-	39,851
Total Deferred Inflows of Resources	39,851	-	39,851
Fund Balances:			
Restricted for:			
Debt Service	46,090	-	46,090
Committed for:			
Parks and Recreation Programs	482,048	-	482,048
Community Development Projects	1,242,248	-	1,242,248
Capital Projects	160,516	6,529	167,045
Total Fund Balances	1,930,902	6,529	1,937,431
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 1,988,091	\$ 6,529	\$ 1,994,620

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, 2014

	Combined Non-Major Special Revenue - Type Funds	Combined Non-Major Capital Projects - Type Funds	Total
<u>REVENUES:</u>			
Taxes and Assessments	\$ 359,048	\$ -	\$ 359,048
Intergovernmental	43,039	-	43,039
Charges for Services	188,991	-	188,991
Grants	-	2,000	2,000
Investment Revenue	10,009	-	10,009
Other Revenue	681	-	681
Total Revenues	601,768	2,000	603,768
<u>EXPENDITURES:</u>			
General Government	158,723	-	158,723
Culture and Recreation	267,632	-	267,632
Debt Service:			
Principal	74,478	-	74,478
Interest	15,610	-	15,610
Capital Outlay	18,204	-	18,204
Total Expenditures	534,647	-	534,647
Excess (Deficiency) of Revenues Over Expenditures	67,121	2,000	69,121
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfers In	145,790	-	145,790
Operating Transfers Out	(56,790)	-	(56,790)
Total Other Financing Sources (Uses):	89,000	-	89,000
Net Change in Fund Balance	156,121	2,000	158,121
Fund Balances, July 1, 2013	1,774,781	4,529	1,779,310
Fund Balances, June 30, 2014	\$ 1,930,902	\$ 6,529	\$ 1,937,431

Non-Major Special
Revenue Funds

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

JUNE 30, 2014

	Parks and Recreation Fund	Public Works Equipment Fund	Business Assistance Grant/Loan Fund	Zumwalt Camp- ground Fund	Planning Fund	Reserve - Governmental Fund	Grants Fund	Storm Water Drainage Fund	Inverse Condem- nation Fund	Total
ASSETS:										
Cash & Investments	\$ 378,925	\$ 160,516	\$ 156,054	\$ 102,544	\$ 208,384	\$ 721,793	\$ -	\$ 142,734	\$ 46,090	\$ 1,917,040
Receivables:										
Property Taxes	13,915	-	-	-	11,255	-	-	-	-	25,170
Loans	-	-	15,000	-	-	-	-	-	-	15,000
Accounts	-	-	-	-	-	-	-	6,076	-	6,076
Other	10,470	-	-	-	14,336	-	-	-	-	24,806
Total Assets	\$ 403,310	\$ 160,516	\$ 171,054	\$ 102,544	\$ 233,975	\$ 721,793	\$ -	\$ 148,810	\$ 46,090	\$ 1,988,092
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:										
Liabilities:										
Accounts Payable	\$ 8,938	\$ -	\$ -	\$ 1,013	\$ 7,079	\$ -	\$ -	\$ 308	\$ -	\$ 17,338
Total Liabilities	8,938	-	-	1,013	7,079	-	-	308	-	17,338
Deferred Inflows of Resources:										
Revenues Earned not Currently Available	13,855	-	15,000	-	10,996	-	-	-	-	39,851
Total Deferred Inflows of Resources	13,855	-	15,000	-	10,996	-	-	-	-	39,851
FUND BALANCES:										
Restricted for:										
Debt Service	-	-	-	-	-	-	-	-	46,090	46,090
Committed for:										
Parks and Recreation Programs	380,517	-	-	101,531	-	-	-	-	-	482,048
Community Development Projects	-	-	156,054	-	215,900	721,793	-	148,501	-	1,242,248
Capital Projects	-	160,516	-	-	-	-	-	-	-	160,516
Total Fund Balances	380,517	160,516	156,054	101,531	215,900	721,793	-	148,501	46,090	1,930,902
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 403,310	\$ 160,516	\$ 171,054	\$ 102,544	\$ 233,975	\$ 721,793	\$ -	\$ 148,809	\$ 46,090	\$ 1,988,091

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, 2014

	Parks and Recreation Fund	Public Works Equipment Fund	Business Assistance Grant Loan Fund	Zumwalt Camp- ground Fund	Planning Fund	Reserve - Governmental Fund	Grants Fund	Storm Water Drainage Fund	Inverse Condemn- ation Fund	Total
REVENUES:										
Taxes and Assessments	\$ 237,866	\$ -	\$ -	\$ -	\$ 121,182	\$ -	\$ -	\$ -	\$ -	\$ 359,048
Intergovernmental	43,039	-	-	-	-	-	-	-	-	43,039
Charges for Services	46,577	-	-	63,935	22,452	-	-	56,027	-	188,991
Investment Revenue	1,480	708	708	708	1,448	4,250	(1)	708	-	10,009
Other Revenue	505	-	-	100	76	-	-	-	-	681
Total Revenues	329,467	708	708	64,743	145,158	4,250	(1)	56,735	-	601,768
EXPENDITURES:										
General Government	-	-	-	-	140,176	-	-	18,547	-	158,723
Culture and Recreation	231,612	-	-	36,020	-	-	-	-	-	267,632
Capital Outlay	-	18,204	-	-	-	-	-	-	-	18,204
Debt Service:										
Principal	-	-	-	-	-	-	-	-	74,478	74,478
Interest	-	-	-	-	-	-	-	-	15,610	15,610
Total Expenditures	231,612	18,204	-	36,020	140,176	-	-	18,547	90,088	534,647
Excess (Deficiency) of Revenues Over Expenditures	97,855	(17,496)	708	28,723	4,982	4,250	(1)	38,188	(90,088)	67,121
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	20,790	15,000	-	-	-	-	-	-	110,000	145,790
Operating Transfers (Out)	-	-	(1,000)	(20,000)	-	-	(790)	(35,000)	-	(56,790)
Total Other Financing Sources (Uses):	20,790	15,000	(1,000)	(20,000)	-	-	(790)	(35,000)	110,000	89,000
Net Change in Fund Balance	118,645	(2,496)	(292)	8,723	4,982	4,250	(791)	3,188	19,912	156,121
Fund Balances, July 1, 2013	261,872	163,012	156,346	92,808	210,918	717,543	791	145,313	26,178	1,774,781
Fund Balances, June 30, 2014	\$ 380,517	\$ 160,516	\$ 156,054	\$ 101,531	\$ 215,900	\$ 721,793	\$ -	\$ 148,501	\$ 46,090	\$ 1,930,902

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, 2014

	<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	\$ 233,376	\$ 233,376	\$ 237,866	\$ 4,490
State Revenue Sharing	37,416	37,416	43,039	5,623
Charges for Services	44,500	44,500	46,577	2,077
Investment Revenue	800	800	1,480	680
Miscellaneous Revenue	250	250	505	255
Total Revenues	316,342	316,342	329,467	13,125
<u>EXPENDITURES:</u>				
Personnel Services	184,288	184,288	162,398	(21,890)
Materials and Services	127,938	127,938	69,214	(58,724)
Capital Outlay	5,745	5,745	-	(5,745)
Contingency	16,000	16,000	-	(16,000)
Total Expenditures	333,971	333,971	231,612	(102,359)
Excess (Deficiency) of Revenues Over Expenditures	(17,629)	(17,629)	97,855	115,484
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	20,790	20,790	20,790	-
Total Other Financing Sources (Uses)	20,790	20,790	20,790	-
Net Change In Fund Balance	3,161	3,161	118,645	115,484
Fund Balance, July 1, 2013	135,000	135,000	261,872	126,872
Fund Balance, June 30, 2014	\$ 138,161	\$ 138,161	\$ 380,517	\$ 242,356

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, 2014

	<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>				
Investment Revenue	\$ 300	\$ 300	\$ 708	408
Total Revenues	300	300	708	408
<u>EXPENDITURES:</u>				
Capital Outlay	25,000	25,000	18,204	(6,796)
Total Expenditures	25,000	25,000	18,204	(6,796)
Excess (Deficiency) of Revenues Over Expenditures	(24,700)	(24,700)	(17,496)	7,204
<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	(9,700)	(9,700)	(2,496)	7,204
Fund Balance, July 1, 2013	155,300	155,300	163,012	7,712
Fund Balance, June 30, 2014	\$ 145,600	\$ 145,600	\$ 160,516	\$ 14,916

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<u>REVENUES:</u>				
Investment Revenue	\$ 477	\$ 477	\$ 708	\$ 231
Total Revenues	477	477	708	231
<u>EXPENDITURES:</u>				
Materials and Services	39,050	39,050	-	(39,050)
Total Expenditures	39,050	39,050	-	(39,050)
Excess (Deficiency) of Revenues Over Expenditures	(38,573)	(38,573)	708	39,281
<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	(39,553)	(39,553)	(292)	39,261
Fund Balance, July 1, 2013	75,298	75,298	156,346	81,048
Fund Balance, June 30, 2014	\$ 35,745	\$ 35,745	\$ 156,054	\$ 120,309

CITY OF VENETA

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

ZUMWALT CAMPGROUND

For The Fiscal Year Ended June 30, 2014

	<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>				
Investment Revenue	\$ 300	\$ 300	\$ 708	\$ 408
Miscellaneous	50	50	100	50
Charges for Services	57,000	57,000	63,935	6,935
Total Revenues	57,350	57,350	64,743	7,393
<u>EXPENDITURES:</u>				
Materials and Services	41,250	41,250	36,020	(5,230)
Total Expenditures	41,250	41,250	36,020	(5,230)
Excess (Deficiency) of Revenues Over Expenditures	16,100	16,100	28,723	12,623
<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 Balance	(3,900)	(3,900)	8,723	12,623
Fund Balance, July 1, 2013	73,760	73,760	92,808	19,048
Fund Balance, June 30, 2014	\$ 69,860	\$ 69,860	\$ 101,531	\$ 31,671

CITY OF VENETA

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

PLANNING FUND

For The Fiscal Year Ended June 30, 2014

	<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	\$ 118,388	\$ 118,388	\$ 121,182	\$ 2,794
Charges for Services	6,000	6,000	22,452	16,452
Investment Revenue	500	500	1,448	948
Grant Award	25	25	-	(25)
Miscellaneous Revenue	50	50	76	26
Total Revenues	124,963	124,963	145,158	20,195
<u>EXPENDITURES:</u>				
Personnel Services	117,325	117,325	109,255	(8,070)
Materials and Services	62,453	62,453	30,921	(31,532)
Capital Outlay	5,495	5,495	-	(5,495)
Contingency	10,000	10,000	-	(10,000)
Total Expenditures	195,273	195,273	140,176	(55,097)
Excess (Deficiency) of Revenues Over Expenditures	(70,310)	(70,310)	4,982	75,292
Fund Balance, July 1, 2013	155,500	155,500	210,918	55,418
Fund Balance, June 30, 2014	\$ 85,190	\$ 85,190	\$ 215,900	\$ 130,710

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, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Investment Revenue	\$ 2,800	\$ 2,800	\$ 4,250	\$ 1,450
Total Revenues	2,800	2,800	4,250	1,450
<u>EXPENDITURES:</u>				
Contingency	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	2,800	2,800	4,250	1,450
Fund Balance, July 1, 2013	715,500	715,500	717,543	2,043
Fund Balance, June 30, 2014	\$ 718,300	\$ 718,300	\$ 721,793	\$ 3,493

CITY OF VENETA

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

GRANTS FUND

For The Fiscal Year Ended June 30, 2014

	<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>				
Investment Revenue	\$ -	\$ -	\$ (1)	\$ (1)
Total Revenues	-	-	(1)	(1)
<u>EXPENDITURES:</u>				
Contingency	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	(1)	(1)
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(790)	(790)	(790)	-
Total Other Financing Sources (Uses)	(790)	(790)	(790)	-
Net Change In Fund Balance	(790)	(790)	(791)	(1)
Fund Balance, July 1, 2013	790	790	791	1
Fund Balance, June 30, 2014	\$ -	\$ -	\$ -	\$ -

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, 2014

	<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>				
Charges for Services	\$ 49,590	\$ 49,590	\$ 56,027	\$ 6,437
Investment Revenue	300	300	708	408
Miscellaneous Revenue	25	25	-	(25)
Total Revenues	49,915	49,915	56,735	6,820
<u>EXPENDITURES:</u>				
Personnel Services	18,214	18,214	16,946	(1,268)
Materials and Services	6,237	6,237	1,601	(4,636)
Capital Outlay	5,055	5,055	-	(5,055)
Contingency	10,000	10,000	-	(10,000)
Total Expenditures	39,506	39,506	18,547	(20,959)
Excess (Deficiency) of Revenues Over Expenditures	10,409	10,409	38,188	27,779
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer (Out)	(35,000)	(35,000)	(35,000)	-
Total Other Financing Sources (Uses)	(35,000)	(35,000)	(35,000)	-
Net Change In Fund Balance	(24,591)	(24,591)	3,188	27,779
Fund Balance, July 1, 2013	120,906	120,906	145,313	24,407
Fund Balance, June 30, 2014	\$ 96,315	\$ 96,315	\$ 148,501	\$ 52,186

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<u>REVENUES:</u>				
Investment Revenue	\$ 50	\$ 50	\$ -	\$ (50)
Total Revenues	50	50	-	(50)
<u>EXPENDITURES:</u>				
Materials and Services	100	100	-	(100)
Debt Service:				
Principal	82,000	82,000	74,478	(7,522)
Interest	37,000	37,000	15,610	(21,390)
Total Expenditures	119,100	119,100	90,088	(29,012)
Excess (Deficiency) of Revenues Over Expenditures	(119,050)	(119,050)	(90,088)	28,962
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfer In	110,000	110,000	110,000	-
Total Other Financing Sources (Uses)	110,000	110,000	110,000	-
Net Change in Fund Balance	(9,050)	(9,050)	19,912	28,962
Fund Balance, July 1, 2013	16,950	16,950	26,178	9,228
Fund Balance, June 30, 2014	\$ 7,900	\$ 7,900	\$ 46,090	\$ 38,190

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 Major Fund)

For The Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Taxes and Assessments	\$ 86,650	\$ 86,650	\$ 94,440	\$ 7,790
Investment Revenue	450	450	732	282
Total Revenues	87,100	87,100	95,172	8,072
<u>EXPENDITURES:</u>				
Debt Service				
Principal	36,000	36,000	36,025	25
Interest	44,812	44,812	44,790	(22)
Total Expenditures	80,812	80,812	80,815	3
Excess (Deficiency) of Revenues Over Expenditures	6,288	6,288	14,357	8,069
Fund Balance, July 1, 2013	100,000	100,000	152,597	52,597
Fund Balance, June 30, 2014	\$ 106,288	\$ 106,288	\$ 166,954	\$ 60,666

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, 2014

	<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	\$ 602,700	\$ 602,700	\$ 656,152	\$ 53,452
Investment Revenue	125	125	1,438	1,313
Total Revenues	602,825	602,825	657,590	54,765
<u>EXPENDITURES:</u>				
Debt Service	578,100	578,100	278,025	(300,075)
Total Expenditures	578,100	578,100	278,025	(300,075)
Excess (Deficiency) of Revenues Over Expenditures	24,725	24,725	379,565	354,840
Fund Balance, July 1, 2013	220,000	220,000	638,778	418,778
Fund Balance, June 30, 2014	\$ 244,725	\$ 244,725	\$ 1,018,343	\$ 773,618

Capital Projects Funds
(Major and Non-Major Funds)

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

June 30, 2014

	New Pool Fund	Total
<u>ASSETS:</u>		
Cash & Investments	\$ 6,529	\$ 6,529
Total Assets	6,529	6,529
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u>		
Liabilities:		
Accounts Payable	-	-
Total Liabilities	-	-
Deferred Inflows of Resources:		
Revenues Earned not Currently Available	-	-
Total Deferred Inflows of Resources	-	-
Fund Balances:		
Committed for:		
Capital Projects	6,529	6,529
Total Fund Balances	6,529	6,529
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 6,529	\$ 6,529

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, 2014

	<u>New Pool Fund</u>	<u>Total</u>
<u>REVENUES:</u>		
Grants & Donations	\$ 2,000	\$ 2,000
Total Revenues	2,000	2,000
<u>EXPENDITURES:</u>		
Materials and Services	-	-
Total Expenditures	-	-
Excess (Deficiency) of Revenues Over Expenditures	2,000	2,000
Fund Balances, July 1, 2013	4,529	4,529
Fund Balances, June 30, 2014	<u>\$ 6,529</u>	<u>\$ 6,529</u>

CITY OF VENETA

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

CAPITAL CONSTRUCTION - GOVERNMENTAL FUND (A Major Fund)

For The Fiscal Year Ended June 30, 2014

	<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>				
Taxes and Assessments	\$ 92,265	\$ 92,265	\$ 198,674	\$ 106,409
Investment Revenue	1,200	1,200	3,542	2,342
Miscellaneous Revenue	17,105	17,105	13,605	(3,500)
Total Revenues	110,570	110,570	215,821	105,251
<u>EXPENDITURES:</u>				
Capital Outlay	93,750	93,750	-	(93,750)
Total Expenditures	93,750	93,750	-	(93,750)
Excess (Deficiency) of Revenues Over Expenditures	16,820	16,820	215,821	199,001
Fund Balance, July 1, 2013	537,687	537,687	623,213	85,526
Fund Balance, June 30, 2014	\$ 554,507	\$ 554,507	\$ 839,034	\$ 284,527

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, 2014

	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)
Donations	300	300	2,000	1,700
Total Revenues	305	305	2,000	1,695
<u>EXPENDITURES:</u>				
Materials and Services	300	300	-	(300)
Total Expenditures	300	300	-	(300)
Excess (Deficiency) of Revenues Over Expenditures	5	5	2,000	1,995
Fund Balance, July 1, 2013	1,818	1,818	4,529	2,711
Fund Balance, June 30, 2014	\$ 1,823	\$ 1,823	\$ 6,529	\$ 4,706

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, 2014

	<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>				
Investment Revenue	\$ 100	\$ 100	\$ -	\$ (100)
Grants	400,000	400,000	473,658	73,658
Miscellaneous Revenue	500	500	11,773	11,273
Total Revenues	400,600	400,600	485,431	84,831
<u>EXPENDITURES:</u>				
Materials and Services	7,650	17,650	11,718	(5,932)
Capital Outlay	559,433	549,433	453,124	(96,309)
Total Expenditures	567,083	567,083	464,842	(102,241)
Excess (Deficiency) of Revenues Over Expenditures	(166,483)	(166,483)	20,589	187,072
Fund Balance, July 1, 2013	178,000	178,000	39,013	(138,987)
Fund Balance, June 30, 2014	\$ 11,517	\$ 11,517	\$ 59,602	\$ 48,085

Additional Supporting
Schedules

CITY OF VENETA
SCHEDULE OF PROPERTY TAXES
For The Fiscal Year Ended June 30, 2014

	General Fund Permanent Rate Tax, Subject to Measure 5	Bonds After Measure 5	Bonds Before Measure 5	Total
Assessed Valuation, 2013-14 Tax Roll	\$ 225,295,138	\$ 265,036,301		
General Fund Permanent Rate Levy, Per \$1,000	0.0056364	-		
General Obligation Bond Levy Rate, Per \$1,000	-	-		
General Obligation Bond Levy Rate, Per \$1,000 (Pool)	-	0.0003375		
Amount Levy Rates Will Raise	1,269,854	89,450		1,359,303
Gain From UR Division of Tax Rate Truncation	15	-		15
Loss Due to Measure 5 Compression	(23,097)	-		(23,097)
Net Tax Levy Imposed	<u>\$ 1,246,772</u>	<u>\$ 89,450</u>		<u>\$ 1,336,221</u>
	Uncollected Balance July 1, 2013	Collector's Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2014
2013-14	\$ 1,336,221	\$ (38,539)	\$ 1,257,647	\$ 40,035
2012-13	43,955	(846)	18,801	24,308
2011-12	25,532	798	9,547	16,783
2010-11	16,327	736	6,636	10,426
2009-10	9,712	1,032	4,436	6,309
2008-09	1,692	(26)	631	1,036
2007-08 & Prior	6,568	1,573	575	7,566
Total Cash Collections	<u>\$ 1,440,007</u>	<u>\$ (35,272)</u>	<u>\$ 1,298,273</u>	<u>\$ 106,462</u>
Less Accrued Revenue - June 30, 2013			(7,777)	
Add Accrued Revenue - June 30, 2014			2,561	
Total Property Tax Revenue			<u>\$ 1,293,057</u>	
Property Tax Revenues & Receivables by Fund:	Prior	Current	Totals	Receivables
General Fund	\$ 5,200	\$ 210,388	\$ 215,588	\$ 17,081
Debt Service Fund	3,819	90,114	93,933	9,962
Law Enforcement Fund	17,705	607,769	625,474	54,250
Parks & Recreation Fund	3,699	233,757	237,456	13,915
Planning Fund	3,727	116,879	120,606	11,255
TOTALS	<u>\$ 34,150</u>	<u>\$ 1,258,907</u>	<u>\$ 1,293,057</u>	<u>\$ 106,462</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 30, 2014

	Uncollected Balance July 1, 2013	Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2014
2013-14	\$ 655,130	\$ 9,199	\$ 634,593	\$ 29,736
2012-13	29,674	(9,897)	9,052	10,725
2011-12	10,695	153	4,676	6,172
2010-11	6,081	409	3,292	3,198
2009-10	3,166	(8)	2,436	722
2008-09	710	109	342	477
2007-08 & Prior	3,640	277	835	3,082
Total Property Taxes	\$ 709,096	\$ 242	\$ 655,226	\$ 54,112
Less Accrued Revenue - June 30, 2013			(3,901)	
Add Accrued Revenue - June 30, 2014			1,273	
Total Property Tax Revenue			\$ 652,598	
Current Year Property Tax Revenues:	<u>Prior</u>	<u>Current</u>	<u>Total</u>	
Urban Renewal Debt Service Fund	\$ 17,393	\$ 635,205	\$ 652,598	
TOTALS	\$ 17,393	\$ 635,205	\$ 652,598	

CITY OF VENETA
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS

For the Fiscal Year Ended June 30, 2014

	Outstanding Balance July 1, 2013	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2014	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	\$ 466,873	\$ -	\$ 74,478	\$ 392,395	\$ 77,278
Interest	-	15,610	15,610	-	12,810
Totals	\$ 466,873	\$ 15,610	\$ 90,088	\$ 392,395	\$ 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	\$ 193,407	\$ -	\$ 9,300	\$ 184,107	\$ 9,610
Interest	-	6,723	6,723	-	6,413
Totals	\$ 193,407	\$ 6,723	\$ 16,023	\$ 184,107	\$ 16,023
Urban Renewal Bonds, Series 2001 issued for the purpose of financing various urban renewal projects					
Original Balance: \$3,360,000					
Dated: December 2000					
Interest Rate: Varies 3.90% - 5.675%					
Principal	\$ 1,760,000	\$ -	\$ 180,000	\$ 1,580,000	\$ 190,000
Interest	-	98,025	98,025	-	87,900
Totals	\$ 1,760,000	\$ 98,025	\$ 278,025	\$ 1,580,000	\$ 277,900
General Obligation Bonds held by U.S. National Bank for construction of a new swimming pool facility					
Original Balance: \$1,100,000					
Dated: February 12, 2010					
Interest Rate: 4.45%					
Principal	\$ 1,007,000	\$ -	\$ 36,025	\$ 970,975	\$ 38,000
Interest	-	44,790	44,790	-	43,210
Totals	\$ 1,007,000	\$ 44,790	\$ 80,815	\$ 970,975	\$ 81,210
TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 3,427,280	\$ -	\$ 299,803	\$ 3,127,477	\$ 314,888
Interest	-	165,148	165,148	-	150,333
Totals	\$ 3,427,280	\$ 165,148	\$ 464,951	\$ 3,127,477	\$ 465,221

Continued

CITY OF VENETA

SCHEDULE OF LONG-TERM DEBT TRANSACTIONS (Continued)

For the Fiscal Year Ended June 30, 2014

	Outstanding Balance July 1, 2013	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2014	Due within One Year
BUSINESS-TYPE ACTIVITIES					
Revenue Bond #1 Water Pipeline by USDA Rural Development 91-03					
Original Balance: \$7,033,000					
Dated: September 20, 2013					
Interest Rate: 2.75%					
Principal	\$ -	\$ 7,033,000	\$ -	\$ 7,033,000	\$ 98,744
Interest	-	-	-	-	193,408
Totals	\$ -	\$ 7,033,000	\$ -	\$ 7,033,000	\$ 292,151
Revenue Bond #2 Water Pipeline by USDA Rural Development 91-05					
Original Balance: \$3,346,269					
Dated: September 20, 2013					
Interest Rate: 2.75%					
Principal	\$ -	\$ 3,346,269	\$ -	\$ 3,346,269	\$ 46,983
Interest	-	-	-	-	92,022
Totals	\$ -	\$ 3,346,269	\$ -	\$ 3,346,269	\$ 139,005
Revenue Bonds held by USDA Rural Development for Sewer System Improvements					
Original Balance: \$4,255,700					
Dated August 8, 2000					
Interest Rate - 4.50%					
Sinking Fund Requirement - \$231,298					
Principal	\$ 3,640,362	\$ -	\$ 67,482	\$ 3,572,880	\$ 70,518
Interest	-	161,104	161,104	-	160,780
Totals	\$ 3,640,362	\$ 161,104	\$ 228,586	\$ 3,572,880	\$ 231,298
Note Payable to Siuslaw Bank for acquisition of property					
Original Balance: \$362,590					
Dated: December 15, 2011					
Interest Rate - 3.475%					
Principal	\$ 315,421	-	\$ 32,491	\$ 282,930	\$ 33,648
Interest	-	10,751	10,751	-	9,694
Totals	\$ 315,421	\$ 10,751	\$ 43,242	\$ 282,930	\$ 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	\$ 303,252	\$ 9,286,098	\$ -	\$ -
Interest	-	39,095	39,095	-	-
Totals	\$ -	\$ 342,347	\$ 9,325,193	\$ -	\$ -
TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 12,938,629	\$ 10,682,521	\$ 9,386,071	\$ 14,235,079	\$ 249,892
Interest	-	210,950	210,950	-	455,904
Totals	\$ 12,938,629	\$ 10,893,471	\$ 9,597,021	\$ 14,235,079	\$ 705,796
TOTAL DEBT AGREEMENTS:					
Principal	\$ 16,365,909	\$ 10,682,521	\$ 9,685,874	\$ 17,362,556	\$ 564,780
Interest	-	376,098	376,098	-	606,236
Totals	\$ 16,365,909	\$ 11,058,619	\$ 10,061,972	\$ 17,362,556	\$ 1,171,017

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	2015	-	90,088	77,278	12,810	315,117
- Original Balance \$925,000	2016	-	90,088	80,012	10,076	235,105
	2017	-	90,088	82,893	7,195	152,212
	2018	-	90,088	85,853	4,235	66,359
	2019	-	67,531	66,359	1,172	-
Totals		-	427,883	392,395	35,488	
Note Payable To Siuslaw Bank for financing of local improvements to be retired by assessment	2015	-	16,023	9,610	6,413	174,497
- Original Balance \$223,502	2016	-	16,023	9,936	6,087	164,561
	2017	-	16,023	10,305	5,718	154,256
	2018	-	16,023	10,671	5,352	143,585
	2019	-	16,023	11,051	4,972	132,534
	2020	-	16,023	11,431	4,592	121,103
	2021	-	16,023	11,850	4,173	109,253
	2022	-	16,023	12,271	3,752	96,982
	2023	-	16,023	12,707	3,316	84,275
	2024	-	16,023	13,151	2,872	71,124
	2025	-	16,023	13,626	2,397	57,498
	2026	-	16,023	14,110	1,913	43,388
	2027	-	16,023	14,612	1,411	28,776
	2028	-	16,023	15,129	894	13,647
	2029	-	14,001	13,647	354	-
Totals		-	238,323	184,107	54,216	
Urban Renewal Bonds, Series 2001 issued to finance various urban renewal projects	2015	-	277,900	190,000	87,900	1,390,000
- Original Balance \$3,360,000	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		-	1,953,431	1,580,000	373,431	
General Obligation Bonds held by U.S. National Bank for construction of a new swimming pool facility	2015	-	81,210	38,000	43,210	932,975
- Original Balance \$1,100,000	2016	-	84,519	43,000	41,519	889,975
	2017	-	86,605	47,000	39,605	842,975
	2018	-	87,514	50,000	37,514	792,975
	2019	-	89,289	54,000	35,289	738,975
	2020	-	90,886	58,000	32,886	680,975
	2021	-	93,305	63,000	30,305	617,975
	2022	-	92,501	65,000	27,501	552,975
	2023	-	91,609	67,000	24,609	485,975
	2024	-	94,627	73,000	21,627	412,975
	2025	-	93,379	75,000	18,379	337,975
	2026	-	94,041	79,000	15,041	258,975
	2027	-	93,526	82,000	11,526	176,975
	2028	-	94,877	87,000	7,877	89,975
	2029	-	93,980	89,975	4,005	-
Totals		-	1,361,863	970,975	390,888	

CONTINUED

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

For the Fiscal Year Ended June 30, 2014

	Fiscal Year Ended June 30,	Sinking Fund Require- ment	Total Payment	Principal	Interest	Fiscal Year- end Balance
Business-Type Activities						
Revenue Bond #1 Water Pipeline with USDA Rural Development	2015		292,151	98,744	193,408	6,934,257
- Original Balance: \$ 7,033,000	2016		292,151	101,459	190,692	6,832,798
	2017		292,151	104,249	187,902	6,728,548
	2018		292,151	107,116	185,035	6,621,433
	2019		292,151	110,062	182,089	6,511,371
	2020		292,151	113,088	179,063	6,398,283
	2021		292,151	116,198	175,953	6,282,084
	2022		292,151	119,394	172,757	6,162,691
	2023		292,151	122,677	169,474	6,040,014
	2024		292,151	126,051	166,100	5,913,963
	2025		292,151	129,517	162,634	5,784,446
	2026		292,151	133,079	159,072	5,651,367
	2027		292,151	136,738	155,413	5,514,629
	2028		292,151	140,499	151,652	5,374,130
	2029		292,151	144,362	147,789	5,229,768
	2030		292,151	148,332	143,819	5,081,435
	2031		292,151	152,412	139,739	4,929,024
	2032		292,151	156,603	135,548	4,772,421
	2033		292,151	160,909	131,242	4,611,512
	2034		292,151	165,334	126,817	4,446,177
	2035		292,151	169,881	122,270	4,276,296
	2036		292,151	174,553	117,598	4,101,743
	2037		292,151	179,353	112,798	3,922,390
	2038		292,151	184,285	107,866	3,738,105
	2039		292,151	189,353	102,798	3,548,752
	2040		292,151	194,560	97,591	3,354,192
	2041		292,151	199,911	92,240	3,154,281
	2042		292,151	205,408	86,743	2,948,873
	2043		292,151	211,057	81,094	2,737,816
	2044		292,151	216,861	75,290	2,520,954
	2045		292,151	222,825	69,326	2,298,130
	2046		292,151	228,952	63,199	2,069,177
	2047		292,151	235,249	56,902	1,833,929
	2048		292,151	241,718	50,433	1,592,211
	2049		292,151	248,365	43,786	1,343,845
	2050		292,151	255,195	36,956	1,088,650
	2051		292,151	262,213	29,938	826,437
	2052		292,151	269,424	22,727	557,013
	2053		292,151	276,833	15,318	280,180
	2054		287,885	280,180	7,705	-
Totals			\$11,681,774	\$ 7,033,000	\$ 4,648,774	
Revenue Bond #2 Water Pipeline with USDA Rural Development	2015		139,005	46,983	92,022	3,299,286
- Original Balance: \$ 3,346,269	2016		139,005	48,275	90,730	3,251,012
	2017		139,005	49,602	89,403	3,201,410
	2018		139,005	50,966	88,039	3,150,443
	2019		139,005	52,368	86,637	3,098,076
	2020		139,005	53,808	85,197	3,044,268
	2021		139,005	55,288	83,717	2,988,980
	2022		139,005	56,808	82,197	2,932,172
	2023		139,005	58,370	80,635	2,873,802
	2024		139,005	59,975	79,030	2,813,826
	2025		139,005	61,625	77,380	2,752,201
	2026		139,005	63,319	75,686	2,688,882
	2027		139,005	65,061	73,944	2,623,821
	2028		139,005	66,850	72,155	2,556,971
	2029		139,005	68,688	70,317	2,488,283
	2030		139,005	70,577	68,428	2,417,706
	2031		139,005	72,518	66,487	2,345,188
	2032		139,005	74,512	64,493	2,270,675
	2033		139,005	76,561	62,444	2,194,114
	2034		139,005	78,667	60,338	2,115,447
	2035		139,005	80,830	58,175	2,034,617
	2036		139,005	83,053	55,952	1,951,564
	2037		139,005	85,337	53,668	1,866,227
	2038		139,005	87,684	51,321	1,778,543
	2039		139,005	90,095	48,910	1,688,448
	2040		139,005	92,573	46,432	1,595,875
	2041		139,005	95,118	43,887	1,500,757
	2042		139,005	97,734	41,271	1,403,023
	2043		139,005	100,422	38,583	1,302,601
	2044		139,005	103,183	35,822	1,199,417
	2045		139,005	106,021	32,984	1,093,396
	2046		139,005	108,937	30,068	984,460
	2047		139,005	111,932	27,073	872,527
	2048		139,005	115,011	23,995	757,517
	2049		139,005	118,173	20,832	639,344
	2050		139,005	121,423	17,582	517,921
	2051		139,005	124,762	14,243	393,158
	2052		139,005	128,193	10,812	264,965
	2053		139,005	131,718	7,287	133,247
	2054		136,911	133,247	3,664	-
Totals			\$ 5,558,106	\$ 3,346,269	\$ 2,211,837	

CONTINUED

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

For the Fiscal Year Ended June 30, 2014

	Fiscal Year Ended June 30,	Sinking Fund Require- ment	Total Payment	Principal	Interest	Fiscal Year- end Balance
<u>Business-Type Activities (Cont.)</u>						
Note Payable with USDA Rural Development for Sewer System Improvements - Original Balance \$4,255,700	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			\$ 6,241,821	\$ 3,572,880	\$ 2,668,941	
Note Payable to Siuslaw Bank for acquisition of real property - Original Balance: \$362,590	2015	-	43,342	33,648	9,694	249,282
	2016	-	43,343	34,822	8,521	214,460
	2017	-	43,342	36,082	7,260	178,378
	2018	-	43,342	37,364	5,978	141,014
	2019	-	43,342	38,692	4,650	102,322
	2020	-	43,342	40,059	3,283	62,263
	2021	-	43,342	41,491	1,851	20,772
	2022	-	21,148	20,772	376	-
Totals			\$ 324,543	\$ 282,930	\$ 41,613	

INDEPENDENT AUDITOR'S
COMMENTS

CITY OF VENETA
AUDITOR'S COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATION
As of June 30, 2014

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, 2014, and have issued our report thereon dated November 20, 2014. 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.

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
November 20, 2014

SINGLE AUDIT SECTION

CITY OF VENETA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2014

Grantor Program and Title	Federal CFDA Number	State Project Number	Receipts	Expenditures	Footnote
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					
Passed through Oregon Business Development Department (IFA):					
Oregon Community Development Block Grants	14.228	C11003	473,659	473,659	1,3
U.S. DEPARTMENT OF AGRICULTURE					
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781		740,666	740,666	1,2
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,214,325	\$ 1,214,325	

Note 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. City records should be consulted to determine amounts expended or matched from non-federal sources.

Note 2 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Of the amount shown for this program, the full amount was paid from ARRA funds.

Note 3 - PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal loan/grant portion of the program costs. Entire program costs, including the City's portion, may be more than shown.



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, 2014, 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 November 20, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Veneta's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of City of Veneta's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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
November 20, 2014



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, 2014. 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 compliance for each of City of Veneta's major federal programs based on my audit of the types of compliance requirements referred to above. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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 types of compliance requirements referred to above. In planning and performing my audit, I considered City of Veneta's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.



Steve Tuhscherer, CPA
November 20, 2014

CITY OF VENETA, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2014

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 or reportable conditions related to the financial statement audit were identified which are required to be reported in accordance with *Government Auditing Standards*.
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 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, 2014.

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, 2013.