

VENETA

oregon

Inc. 1962

CITY OF VENETA
Lane County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2016



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS
436 1st Avenue W | PO Box 1072
Albany, Oregon 97321 | (541) 223-5555

**CITY OF VENETA
Lane County, Oregon**

CITY OFFICIALS

June 30, 2016

MAYOR

Sandra Larson
25456 E. Hunter Road
Veneta, Oregon 97487

CITY COUNCIL

Thomas Cotter - President
88098 Huston Road
Veneta, Oregon 97487

Tim Brooker
P.O. Box 655
Veneta, Oregon 97487

Thomas Laing
P.O. Box 1304
Veneta, Oregon 97487

Victoria Hedenstrom
25206 Irenic Drive
Veneta, Oregon 97487

CITY ADMINISTRATOR

R. Ric Ingham

FINANCE DIRECTOR

Shauna Hartz

CITY OF VENETA
Lane County, Oregon

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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Sandra Larson, Mayor
and Members of the City Council
City of Veneta
Veneta, Oregon 97487

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Veneta, Lane County, Oregon as of and for the year ended June 30, 2016, and the related notes to the financial statements, 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 principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Veneta, Lane County, Oregon as of June 30, 2016, 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, the schedules of the City's proportionate share of the net pension liability and City contributions, and the budgetary comparison information on pages 4 through 11 and 55 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedules of the City's proportionate share of the net pension liability and City contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the aforementioned information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Veneta's basic financial statements as a whole. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

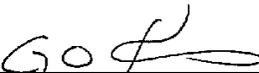
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Veneta's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 19, 2016 on our tests of the City's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC

By:  _____
Glen O. Kearns, CPA

Albany, Oregon
December 19, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF VENETA
Lane County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of the City of Veneta, Lane County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total net position of the City of Veneta amounted to \$43,546,885. Of this amount, \$27,035,909 was invested in capital assets, net of related debt. The remaining balance included \$7,094,188 restricted for various purposes and \$9,416,788 of unrestricted net position.
- At June 30, 2016, the City's governmental funds reported combined ending fund balances of \$8,852,040.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Veneta's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The statement of net position presents information on all of 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 (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 12 through 13 of this report.

CITY OF VENETA
Lane County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. 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. All of the funds of the City of Veneta can be divided into two categories: governmental funds and proprietary 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 available resources, as well as on the balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the City'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 City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 18 individual governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Local Improvements, Street, Urban Renewal General, and Urban Renewal Debt Service Funds, all of which are considered to be major governmental funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Veneta adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

CITY OF VENETA
Lane County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains five enterprise funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for its water and sewer utility operations.

The basic proprietary fund financial statements can be found on pages 18 through 22 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23 through 54 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the schedules of the City's proportionate share of the net pension liability and City contributions and budgetary comparison information for the General, Local Improvements, Street, and Urban Renewal General Funds. This required supplementary information can be found on pages 55 through 59 of this report.

The combining statements referred to earlier, in connection with nonmajor governmental and proprietary funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 60 through 83 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At June 30, 2016, the City's assets exceeded liabilities by \$43,546,885.

A large portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. 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
Lane County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

City's Net Position

The City's net position increased by \$230,721 during the current fiscal year. This increase is primarily due to an increase in charges for services and investment earnings. Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 7,957,382	\$ 7,592,376	\$ 4,894,053	\$ 4,998,930	\$ 12,851,435	\$ 12,591,306
Restricted assets	2,108,811	1,608,811	3,544,111	3,596,295	5,652,922	5,205,106
Net capital assets	18,098,428	18,401,688	25,144,781	25,517,105	43,243,209	43,918,793
Total assets	28,164,621	27,602,875	33,582,945	34,112,330	61,747,566	61,715,205
Deferred Outflows of Resources	93,222	37,049	72,506	28,816	165,728	65,865
Liabilities						
Current liabilities	1,162,660	983,899	797,196	828,290	1,959,856	1,812,189
Noncurrent liabilities	2,467,491	2,480,075	13,727,110	13,727,320	16,194,601	16,207,395
Total liabilities	3,630,151	3,463,974	14,524,306	14,555,610	18,154,457	18,019,584
Deferred Inflows of Resources	142,368	267,578	69,584	177,744	211,952	445,322
Net position						
Net investment in capital assets	15,618,545	15,588,860	11,417,364	11,531,511	27,035,909	27,120,371
Restricted for various purposes	3,778,816	2,828,805	3,315,372	3,367,614	7,094,188	6,196,419
Unrestricted	5,087,963	5,490,707	4,328,825	4,508,667	9,416,788	9,999,374
Total net position	\$ 24,485,324	\$ 23,908,372	\$ 19,061,561	\$ 19,407,792	\$ 43,546,885	\$ 43,316,164

City's Changes in Net Position

The condensed statement of activities information shown on the following page explains changes in net position.

CITY OF VENETA
Lane County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Program revenues						
Charges for services	\$ 1,088,645	\$ 560,760	\$ 2,433,383	\$ 2,126,928	\$ 3,522,028	\$ 2,687,688
Operating grants and contributions	25,964	13,997	-	-	25,964	13,997
Total program revenues	1,114,609	574,757	2,433,383	2,126,928	3,547,992	2,701,685
General revenues						
Property taxes - general	1,327,598	1,277,221	-	-	1,327,598	1,277,221
Property taxes - debt service	784,878	812,490	-	-	784,878	812,490
Franchise fees	224,290	220,725	-	-	224,290	220,725
Motor fuel taxes	277,788	370,591	-	-	277,788	370,591
Alcohol and cigarette taxes	79,344	73,519	-	-	79,344	73,519
Intergovernmental	54,427	44,718	-	-	54,427	44,718
Investment earnings	49,573	15,898	47,777	41,773	97,350	57,671
Rents and leases	46,951	73,862	19,043	19,033	65,994	92,895
Miscellaneous	25,484	6,192	24,197	7,935	49,681	14,127
Pension credit	-	102,191	-	79,482	-	181,673
Total general revenues	2,870,333	2,997,407	91,017	148,223	2,961,350	3,145,630
Total revenues	3,984,942	3,572,164	2,524,400	2,275,151	6,509,342	5,847,315
Program expenses						
General government	1,299,960	1,034,281	-	-	1,299,960	1,034,281
Public safety	905,923	838,295	-	-	905,923	838,295
Public works	34,534	20,399	-	-	34,534	20,399
Highways and streets	942,368	308,076	-	-	942,368	308,076
Culture and recreation	326,149	280,056	-	-	326,149	280,056
Interest on long-term debt	154,056	98,891	-	-	154,056	98,891
Water	-	-	1,351,074	1,654,041	1,351,074	1,654,041
Sewer	-	-	1,264,557	956,881	1,264,557	956,881
Total program expenses	3,662,990	2,579,998	2,615,631	2,610,922	6,278,621	5,190,920
Transfers	255,000	(115,000)	(255,000)	115,000	-	-
Change in net position	576,952	877,166	(346,231)	(220,771)	230,721	656,395
Net position - beginning, as restated	23,908,372	23,031,206	19,407,792	19,628,563	43,316,164	42,659,769
Net position - ending	\$ 24,485,324	\$ 23,908,372	\$ 19,061,561	\$ 19,407,792	\$ 43,546,885	\$ 43,316,164

CITY OF VENETA
Lane County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,852,040. Of this amount, \$1,242,105 constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was \$1,242,105. This entire amount constitutes unassigned fund balance.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the proprietary funds amounted to \$19,061,561 at year-end. Of this amount, \$11,417,364 was invested in capital assets, net of related debt. The remaining balance included \$3,315,372 restricted for various purposes and \$4,328,825 of unrestricted net position.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and two approved appropriation changes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities and business-type activities as of June 30, 2016 amounted to \$18,098,428 and \$25,144,781, net of accumulated depreciation, respectively. This investment in capital assets includes land, buildings and structures, equipment and vehicles, land improvements, and infrastructure. The total depreciation expense related to the City's investment in capital assets for its governmental activities and business-type activities during the current fiscal year was \$340,355 and \$690,724, respectively.

Additional information on the City's capital assets can be found on pages 38 through 40 of this report.

CITY OF VENETA
Lane County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Liabilities

The City's outstanding debt for its governmental and business-type activities as of June 30, 2016 amounted to \$2,479,883 and \$13,727,417, respectively. This amount is comprised of general obligation bonds, notes payable, and revenue bonds. The City's total debt decreased by \$591,122 during the current fiscal year. Additional information on the City's long-term liabilities can be found on pages 42 through 45.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the City was aware of the following circumstances that could affect its future financial health:

- Property tax revenue continues to be relatively stable as does most of the other revenue not directly tied to user fees. Rates for sewer are not expected to change in FY 2016-17; however, it is expected that storm-waters will increase by 2% July 1, 2016 and water rates will increase by 2% in February 2017.
- The increases are needed to ensure the City can maintain operations at the current service levels. The increased revenue for water services also ensure that the City can pay for purchasing 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 FY 2016. This trend is not expected to continue in the upcoming fiscal year because there are very few buildable lots available. Based on the land use applications currently being processed there could be another increase in building activity in the summer of 2017, FY 2017-18.
- 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.
- Capital projects planned in the upcoming year include installation of sewer infrastructure in an area not previously serviced. A Local Improvement District may be formed which allows the City to be reimbursed by the owners of the benefited properties.

**CITY OF VENETA
Lane County, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS

All of the above factors were considered when preparing the budget for the 2016-17 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$1,242,105. The City of Veneta has appropriated \$145,389 of this amount for spending in the 2016-17 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 or increased slightly.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF VENETA
Lane County, Oregon

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents, less restricted portion	\$ 7,433,828	\$ 4,613,653	\$ 12,047,481
Accounts and court fines receivable, net	166,863	249,112	415,975
Property taxes receivable, less restricted portion	113,901	-	113,901
Liens and notes receivable	169,926	5,904	175,830
Court fines receivable	72,684	-	72,684
Prepaid expenses	180	-	180
Inventory	-	25,384	25,384
Total current assets	<u>7,957,382</u>	<u>4,894,053</u>	<u>12,851,435</u>
Restricted assets	2,108,811	3,544,111	5,652,922
Capital assets not being depreciated	2,721,056	774,220	3,495,276
Capital assets being depreciated, net	<u>15,377,372</u>	<u>24,370,561</u>	<u>39,747,933</u>
Total assets	<u>28,164,621</u>	<u>33,582,945</u>	<u>61,747,566</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>93,222</u>	<u>72,506</u>	<u>165,728</u>
LIABILITIES			
Current liabilities			
Accounts payable	285,977	92,227	378,204
Accrued liabilities	77,323	-	77,323
Compensated absences	35,596	7,846	43,442
Accrued interest	46,868	353,121	399,989
Deposits payable	61,683	77,056	138,739
Short-term debt	300,000	-	300,000
Long-term debt, current portion	<u>355,213</u>	<u>266,946</u>	<u>622,159</u>
Total current liabilities	<u>1,162,660</u>	<u>797,196</u>	<u>1,959,856</u>
Noncurrent liabilities			
Pension liability	342,821	266,639	609,460
Long-term debt, less current portion	<u>2,124,670</u>	<u>13,460,471</u>	<u>15,585,141</u>
Total liabilities	<u>3,630,151</u>	<u>14,524,306</u>	<u>18,154,457</u>
DEFERRED INFLOWS OF RESOURCES			
Changes in proportion and contributions - PERS	100,055	69,448	169,503
Unearned revenue	<u>42,313</u>	<u>136</u>	<u>42,449</u>
Total deferred inflows of resources	<u>142,368</u>	<u>69,584</u>	<u>211,952</u>
NET POSITION			
Net investment in capital assets	\$ 15,618,545	\$ 11,417,364	\$ 27,035,909
Restricted for various purposes	3,778,816	3,315,372	7,094,188
Unrestricted	<u>5,087,963</u>	<u>4,328,825</u>	<u>9,416,788</u>
Total net position	<u>\$ 24,485,324</u>	<u>\$ 19,061,561</u>	<u>\$ 43,546,885</u>

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

CITY OF VENETA
Lane County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities						
General government	\$ 1,299,960	\$ 768,444	\$ 25,964	\$ (505,552)	\$ -	\$ (505,552)
Public safety	905,923	39,968	-	(865,955)	-	(865,955)
Public works	34,534	47,684	-	13,150	-	13,150
Highways and streets	942,368	114,068	-	(828,300)	-	(828,300)
Culture and recreation	326,149	118,481	-	(207,668)	-	(207,668)
Interest on long-term debt	<u>154,056</u>	<u>-</u>	<u>-</u>	<u>(154,056)</u>	<u>-</u>	<u>(154,056)</u>
Total governmental activities	<u>\$ 3,662,990</u>	<u>\$ 1,088,645</u>	<u>\$ 25,964</u>	<u>(2,548,381)</u>	<u>-</u>	<u>(2,548,381)</u>
Business-type activities						
Water	\$ 1,351,074	\$ 1,219,264	\$ -	-	(131,810)	(131,810)
Sewer	<u>1,264,557</u>	<u>1,214,119</u>	<u>-</u>	<u>-</u>	<u>(50,438)</u>	<u>(50,438)</u>
Total business-type activities	<u>\$ 2,615,631</u>	<u>\$ 2,433,383</u>	<u>\$ -</u>	<u>-</u>	<u>(182,248)</u>	<u>(182,248)</u>
General revenues						
Property taxes - general purposes				1,327,598	-	1,327,598
Property taxes - debt service				784,878	-	784,878
Franchise fees				224,290	-	224,290
Motor fuel taxes				277,788	-	277,788
Alcohol and cigarette taxes				79,344	-	79,344
Intergovernmental				54,427	-	54,427
Investment earnings				49,573	47,777	97,350
Rents and leases				46,951	19,043	65,994
Miscellaneous				<u>25,484</u>	<u>24,197</u>	<u>49,681</u>
Total general revenues				<u>2,870,333</u>	<u>91,017</u>	<u>2,961,350</u>
Transfers				<u>255,000</u>	<u>(255,000)</u>	<u>-</u>
Change in net position				576,952	(346,231)	230,721
Net position - beginning, as restated				<u>23,908,372</u>	<u>19,407,792</u>	<u>43,316,164</u>
Net position - ending				<u>\$ 24,485,324</u>	<u>\$ 19,061,561</u>	<u>\$ 43,546,885</u>

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

CITY OF VENETA
Lane County, Oregon

BALANCE SHEET - GOVERNMENTAL FUNDS

GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Special Revenue		Urban Renewal General Fund	Debt Service		Nonmajor Governmental Funds	Total Governmental Funds
		Local Improvements Fund	Street Fund		Urban Renewal Debt Service Fund			
ASSETS								
Cash and cash equivalents	\$ 1,376,550	\$ 334,806	\$ 1,290,444	\$ 490,936	\$ 1,562,155	\$ 4,432,028	\$ 9,486,919	
Cash with agent	-	-	-	-	1,061	-	1,061	
Accounts and court fines receivable, net	117,800	-	66,901	-	-	54,846	239,547	
Property taxes receivable	19,899	-	-	-	54,659	94,002	168,560	
Liens and notes receivable	1,962	150,126	2,838	-	-	15,000	169,926	
Prepaid expenses	-	-	-	180	-	-	180	
Total assets	<u>\$ 1,516,211</u>	<u>\$ 484,932</u>	<u>\$ 1,360,183</u>	<u>\$ 491,116</u>	<u>\$ 1,617,875</u>	<u>\$ 4,595,876</u>	<u>\$ 10,066,193</u>	
LIABILITIES								
Accounts payable	\$ 41,167	\$ -	\$ 18,353	\$ 933	\$ 277	\$ 225,247	\$ 285,977	
Accrued liabilities	76,998	-	-	-	-	325	77,323	
Deposits payable	-	-	61,683	-	-	-	61,683	
Short-term debt	-	-	-	-	300,000	-	300,000	
Total liabilities	<u>118,165</u>	<u>-</u>	<u>80,036</u>	<u>933</u>	<u>300,277</u>	<u>225,572</u>	<u>724,983</u>	
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - Property taxes	21,861	150,126	2,838	-	54,659	92,216	321,700	
Unearned revenue	<u>134,080</u>	<u>-</u>	<u>15,903</u>	<u>-</u>	<u>-</u>	<u>17,487</u>	<u>167,470</u>	
Total deferred inflows of resources	<u>155,941</u>	<u>150,126</u>	<u>18,741</u>	<u>-</u>	<u>54,659</u>	<u>109,703</u>	<u>489,170</u>	
FUND BALANCES								
Nonspendable	-	-	-	180	-	-	180	
Restricted	-	-	-	490,003	1,262,939	2,025,874	3,778,816	
Committed	-	334,806	1,261,406	-	-	2,234,727	3,830,939	
Unassigned	<u>1,242,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,242,105</u>	
Total fund balances	<u>1,242,105</u>	<u>334,806</u>	<u>1,261,406</u>	<u>490,183</u>	<u>1,262,939</u>	<u>4,260,601</u>	<u>8,852,040</u>	
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,516,211</u>	<u>\$ 484,932</u>	<u>\$ 1,360,183</u>	<u>\$ 491,116</u>	<u>\$ 1,617,875</u>	<u>\$ 4,595,876</u>	<u>\$ 10,066,193</u>	

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

CITY OF VENETA
Lane County, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2016

Total fund balances		\$ 8,852,040
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	21,069,741	
Accumulated depreciation	<u>(2,971,315)</u>	18,098,426
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		321,700
Certain revenues and fees are recognized as revenue in the net position of governmental activities when the revenues are earned; however, in the governmental fund statements, they are recognized when available to be used for current year operations.		125,159
Amounts relating to the City's proportionate share of net pension liability or assets for the Oregon Public Retirement System (PERS) are not reported in governmental fund statements. In the governmental fund statements, pension expense is recognized when due. The amounts consist of:		
Deferred outflows of resources relating to pension expense	93,222	
Deferred inflows of resources relating to the return on pension assets	(100,055)	
Net pension asset (liability)	<u>(342,821)</u>	(349,654)
Long-term liabilities are not due or payable in the current period and are therefore not reported in the governmental funds. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest	(46,868)	
Compensated absences	(35,596)	
Long-term debt	<u>(2,479,883)</u>	<u>(2,562,347)</u>
Net position of governmental activities		<u>\$ 24,485,324</u>

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

CITY OF VENETA
Lane County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	General Fund	Special Revenue Funds	
		Local Improvements Fund	Streets Fund
REVENUES			
Property taxes	\$ 263,205	\$ -	\$ -
Franchise taxes	112,328	-	112,328
Licenses, permits, and fees	171,557	-	-
Charges for services	-	-	-
Operating grants and contributions	25,964	-	-
Fees and charges	-	126,781	114,590
Intergovernmental	89,344	-	277,788
Fines	24,846	-	-
Investment earnings	7,030	654	8,873
Rents and leases	45,523	-	215
Miscellaneous	7,773	-	1,791
Total revenues	<u>747,570</u>	<u>127,435</u>	<u>515,585</u>
EXPENDITURES			
Current			
General government	492,734	-	-
Public safety	61,932	-	-
Public works	-	-	-
Highways and streets	-	-	685,169
Culture and recreation	23,424	-	-
Debt service	-	16,024	-
Capital outlay	3,920	227,066	30,133
Total expenditures	<u>582,010</u>	<u>243,090</u>	<u>715,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>165,560</u>	<u>(115,655)</u>	<u>(199,717)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Transfers in	2,623	350,000	100,000
Transfers out	-	-	(5,000)
Total other financing sources (uses)	<u>2,623</u>	<u>350,000</u>	<u>95,000</u>
Net change in fund balances	168,183	234,345	(104,717)
Fund balances - beginning	<u>1,073,922</u>	<u>100,461</u>	<u>1,366,123</u>
Fund balances - ending	<u>\$ 1,242,105</u>	<u>\$ 334,806</u>	<u>\$ 1,261,406</u>

The accompanying notes are an integral part of these financial statements

Special Revenue	Debt Service		
Urban Renewal General Fund	Urban Renewal Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 681,374	\$ 1,164,213	\$ 2,108,792
-	-	-	224,656
-	-	39,968	211,525
-	-	415,770	415,770
-	-	-	25,964
-	-	61,641	303,012
-	-	44,427	411,559
-	-	-	24,846
1,675	5,102	26,239	49,573
-	-	-	45,738
-	-	16,232	25,796
<u>1,675</u>	<u>686,476</u>	<u>1,768,490</u>	<u>3,847,231</u>
20,580	-	198,426	711,740
-	-	843,987	905,919
-	-	34,534	34,534
-	-	-	685,169
-	-	301,752	325,176
-	578,415	174,634	769,073
-	-	3,041	264,160
<u>20,580</u>	<u>578,415</u>	<u>1,556,374</u>	<u>3,695,771</u>
<u>(18,905)</u>	<u>108,061</u>	<u>212,116</u>	<u>151,460</u>
300,000	-	-	300,000
-	-	140,000	592,623
<u>(181,623)</u>	<u>-</u>	<u>(151,000)</u>	<u>(337,623)</u>
<u>118,377</u>	<u>-</u>	<u>(11,000)</u>	<u>555,000</u>
99,472	108,061	201,116	706,460
<u>390,711</u>	<u>1,154,878</u>	<u>4,059,485</u>	<u>8,145,580</u>
<u>\$ 490,183</u>	<u>\$ 1,262,939</u>	<u>\$ 4,260,601</u>	<u>\$ 8,852,040</u>

CITY OF VENETA
Lane County, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Net change in fund balances		\$	706,460
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense.</p>			
Capital outlay expenditures - governmental funds	37,094		
Depreciation expense recorded in the current year	<u>(340,355)</u>		(303,261)
<p>Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>			
Change in accrued interest	4,031		
Debt principal paid	<u>332,945</u>		336,976
<p>Property taxes and liens that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized when levied. These amounts consist of:</p>			
Change in deferred revenue - property taxes	(13,680)		
Change in deferred revenue - liens	<u>112,764</u>		99,084
<p>Court fines and fees are recognized as revenue in the net assets of governmental activities when the fines are assessed; however, in the governmental fund statements, they are recognized when available to be used for current year operations.</p>			
			(52,332)
<p>Pension expense or credits that do not meet the measurable and available criteria are not recognized as revenue or expense in the current year in governmental funds. In the statement of activities, pension expense or credit is recognized when determined to have been accrued. These amounts consist of:</p>			
Change in deferred inflows relating to the return on pension assets	125,210		
Change in deferred outflows relating to pension expense	(56,173)		
Pension expense	<u>(279,012)</u>		<u>(209,975)</u>
Change in net position		\$	<u>576,952</u>

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

CITY OF VENETA
Lane County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2016

	Business-Type Activities				Total Enterprise Funds
	Enterprise Funds				
	Water	Sewer	Sewer Construction Fund	Nonmajor Enterprise Funds	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,725,157	\$ 1,540,055	\$ -	\$ 1,348,441	\$ 4,613,653
Accounts and other receivables, net	143,064	106,048	-	-	249,112
Liens and notes receivable	53	80	5,771	-	5,904
Inventory	25,384	-	-	-	25,384
Total current assets	1,893,658	1,646,183	5,771	1,348,441	4,894,053
Restricted assets					
Cash and cash equivalents	560,504	231,298	2,313,051	439,258	3,544,111
Capital assets not being depreciated	274,184	500,036	-	-	774,220
Capital assets being depreciated, net	16,418,207	7,952,354	-	-	24,370,561
Total assets	19,146,553	10,329,871	2,318,822	1,787,699	33,582,945
DEFERRED OUTFLOWS OF					
RESOURCES					
	41,432	31,074	-	-	72,506
LIABILITIES					
Current liabilities					
Accounts payable	32,804	39,814	19,609	-	92,227
Compensated absences	3,923	3,923	-	-	7,846
Accrued interest	69,318	68,902	69,213	145,688	353,121
Deposits payable	22,344	54,712	-	-	77,056
Long-term debt, current portion	153,851	77,008	36,087	-	266,946
Total current liabilities	282,240	244,359	124,909	145,688	797,196
Noncurrent liabilities					
Pension liability	152,365	114,274	-	-	266,639
Long-term debt, less current portion	9,929,958	3,351,664	178,849	-	13,460,471
Total noncurrent liabilities	10,082,323	3,465,938	178,849	-	13,727,110
Total liabilities	10,364,563	3,710,297	303,758	145,688	14,524,306

(continued)

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

CITY OF VENETA
Lane County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2016

(continued)

	Business-Type Activities				Total Enterprise Funds
	Enterprise Funds				
	Water	Sewer	Sewer Construction Fund	Nonmajor Enterprise Funds	
DEFERRED INFLOWS OF RESOURCES					
Changes in proportion and contributions - PERS	43,806	25,642	-	-	69,448
Unearned revenue	<u>56</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>136</u>
Total deferred inflows of resources	43,862	25,722	-	-	69,584
NET POSITION					
Net investment in capital assets	6,608,582	5,023,718	(214,936)	-	11,417,364
Restricted for:					
Debt service	560,504	231,298	-	-	791,802
System development	-	-	2,230,000	293,570	2,523,570
Unrestricted	<u>1,610,474</u>	<u>1,369,910</u>	<u>-</u>	<u>1,348,441</u>	<u>4,328,825</u>
Total net position	<u>\$ 8,779,560</u>	<u>\$ 6,624,926</u>	<u>\$ 2,015,064</u>	<u>\$ 1,642,011</u>	<u>\$ 19,061,561</u>

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

CITY OF VENETA
Lane County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-Type Activities				Total Enterprise Funds
	Enterprise Funds				
	Water	Sewer	Sewer Construction Fund	Nonmajor Enterprise Funds	
Operating revenues					
Water sales	\$ 1,004,426	\$ -	\$ -	\$ -	\$ 1,004,426
Sewer charges	<u>-</u>	<u>1,013,365</u>	<u>-</u>	<u>-</u>	<u>1,013,365</u>
Total operating revenues	<u>1,004,426</u>	<u>1,013,365</u>	<u>-</u>	<u>-</u>	<u>2,017,791</u>
Operating expenses					
Personnel costs	389,253	411,357	-	-	800,610
Materials and supplies	297,254	192,758	-	-	490,012
Repairs and maintenance	8,846	-	34,000	-	42,846
Depreciation	<u>401,393</u>	<u>289,331</u>	<u>-</u>	<u>-</u>	<u>690,724</u>
Total operating expenses	<u>1,096,746</u>	<u>893,446</u>	<u>34,000</u>	<u>-</u>	<u>2,024,192</u>
Operating income (loss)	<u>(92,320)</u>	<u>119,919</u>	<u>(34,000)</u>	<u>-</u>	<u>(6,401)</u>
Nonoperating revenues (expenses)					
System development charges	-	-	200,754	214,838	415,592
Investment earnings	12,663	11,333	13,534	10,247	47,777
Rents and leases	9,443	9,600	-	-	19,043
Miscellaneous	2,505	21,692	-	-	24,197
Repairs and maintenance	-	-	(174,000)	-	(174,000)
Interest expense	<u>(93,687)</u>	<u>(40,476)</u>	<u>(122,635)</u>	<u>(160,641)</u>	<u>(417,439)</u>
Total nonoperating revenues (expenses)	<u>(69,076)</u>	<u>2,149</u>	<u>(82,347)</u>	<u>64,444</u>	<u>(84,830)</u>
Income (loss) before contributions and transfers	(161,396)	122,068	(116,347)	64,444	(91,231)
Transfers in	180,000	-	-	-	180,000
Transfers out	<u>(5,000)</u>	<u>(430,000)</u>	<u>-</u>	<u>-</u>	<u>(435,000)</u>
Change in net position	13,604	(307,932)	(116,347)	64,444	(346,231)
Total net position - beginning	<u>8,765,956</u>	<u>6,932,858</u>	<u>2,131,411</u>	<u>1,577,567</u>	<u>19,407,792</u>
Total net position - ending	<u>\$ 8,779,560</u>	<u>\$ 6,624,926</u>	<u>\$ 2,015,064</u>	<u>\$ 1,642,011</u>	<u>\$ 19,061,561</u>

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

CITY OF VENETA
Lane County, Oregon

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-Type Activities				Total Enterprise Funds
	Enterprise Funds				
	Water	Sewer	Sewer Construction Fund	Nonmajor Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 1,020,139	\$ 1,023,363	\$ -	\$ -	\$ 2,043,502
Payments to employees	(266,534)	(333,704)	-	-	(600,238)
Payments to suppliers	(336,594)	(194,799)	(34,000)	-	(565,393)
Net cash provided (used) by operating activities	<u>417,011</u>	<u>494,860</u>	<u>(34,000)</u>	<u>-</u>	<u>877,871</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Rents and leases	9,443	9,600	-	-	19,043
Miscellaneous income	2,505	21,692	-	-	24,197
Net cash provided (used) by noncapital financing activities	<u>11,948</u>	<u>31,292</u>	<u>-</u>	<u>-</u>	<u>43,240</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
System development charges	-	-	219,173	196,478	415,651
Transfers from other funds for capital purposes	180,000	-	-	-	180,000
Transfers to other funds for capital purposes	(5,000)	(430,000)	-	-	(435,000)
Principal paid on capital debt	(149,734)	(73,692)	(34,753)	-	(258,179)
Interest paid on capital debt	(93,687)	(40,476)	(122,635)	(160,641)	(417,439)
Purchase of capital assets	(8,846)	(309,552)	(174,000)	-	(492,398)
Net cash provided (used) by capital and related financing activities	<u>(77,267)</u>	<u>(853,720)</u>	<u>(112,215)</u>	<u>35,837</u>	<u>(1,007,365)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	12,663	11,333	13,534	10,247	47,777
Net cash provided (used) by investing activities	<u>12,663</u>	<u>11,333</u>	<u>13,534</u>	<u>10,247</u>	<u>47,777</u>
Net increase (decrease) in cash and cash equivalents	364,355	(316,235)	(132,681)	46,084	(38,477)

(Continued)

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

Lane County, Oregon
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2016

(Continued)

	Business-Type Activities				
	Enterprise Funds				
	Water	Sewer	Sewer Construction Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Cash and cash equivalents - beginning (including \$517,389, \$231,298, \$2,445,732 and \$401,876 in water, sewer, sewer construction, and nonmajor enterprise funds, respectively reported in restricted accounts)	1,921,306	2,087,588	2,445,732	1,741,615	8,196,241
Cash and cash equivalents - ending (including \$560,504, \$231,298, \$2,313,051 and \$439,258 in water, sewer, sewer construction, and nonmajor enterprise funds, respectively reported in restricted accounts)	<u>\$ 2,285,661</u>	<u>\$ 1,771,353</u>	<u>\$ 2,313,051</u>	<u>\$ 1,787,699</u>	<u>\$ 8,157,764</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (92,320)	\$ 119,919	\$ (34,000)	\$ -	\$ (6,401)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	401,393	289,331	-	-	690,724
(Increase) decrease in:					
Liens & other receivables	15,713	9,998	-	-	25,711
Inventories	5,406	-	-	-	5,406
Deferred outflows of resources	(24,966)	(18,724)	-	-	(43,690)
Increase (decrease) in:					
Accounts payable	(12,220)	(3,888)	-	-	(16,108)
Accrued interest	(8,735)	(1,481)	-	-	(10,216)
Customer deposits	(14,945)	3,328	-	-	(11,617)
Pension liability	201,270	150,952	-	-	352,222
Deferred inflows of resources	(53,585)	(54,575)	-	-	(108,160)
Net cash provided (used) by operating activities	<u>\$ 417,011</u>	<u>\$ 494,860</u>	<u>\$ (34,000)</u>	<u>\$ -</u>	<u>\$ 877,871</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF VENETA
Lane County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the City. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The City of Veneta was incorporated in 1962 and is situated in Lane County, Oregon. The City provides basic services to citizens within the city limits. Control of the City is vested in its mayor and city council, elected to office by voters within the City.

The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

1. Blended component unit - Veneta Urban Renewal Agency

Veneta Urban Renewal Agency serves the area within the existing city limits of the City of Veneta. Board members for the agency consist of all of the members of the Veneta City Council. The component unit issues separate financial statements. The financial statements can be obtained from the Finance Department of the City or at their website www.venetaoregon.gov.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities incorporate data from governmental funds, while the business-type activities incorporate data from enterprise funds. Separate financial statements are provided for all governmental and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate financial statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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June 30, 2016

All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. The primary source of revenue is property taxes.

Special Revenue Funds

Local Improvements Fund - The Local Improvements Fund is used to account for system improvement expenditures. The primary source of revenue is special assessments.

Street Fund - The Street Fund accounts for the maintenance, operation, and construction of the City's streets. The primary sources of revenue are state shared highway funds.

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 of the financial resources except those required to be accounted for in another fund. The principal source of revenue is interest on investments. Primary expenditures are for the downtown redevelopment project.

The City reports the following major proprietary funds:

Enterprise Funds

Water Fund - The Water Fund accounts for the resources and expenses related to the supply, treatment, and distribution of water. The primary source of revenue is user fees.

Sewer Fund - The Sewer Fund accounts for the resources and expenses related to the collection and treatment of wastewater. The primary source of revenue is user fees.

Sewer Capital Construction Fund - The Sewer Capital Construction Fund is used to accumulate funds for future system development costs. The primary source of revenue is sewer system development charges.

Additionally, the City reports the following nonmajor funds:

Special Revenue Funds

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

Planning Fund - The Planning Fund is used to account for revenues related to city development programs. The primary source of revenue is property taxes.

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Storm-Water Fund - The Storm-Water Fund accounts for retention ponds, swales, drainage ditches, and underground drainage ways. The primary revenues are user fees.

Capital Construction Fund - The Capital Construction Fund accounts for governmental system development charges and related improvement expenditures.

Inverse Condemnation Fund - The Inverse Condemnation Fund accounts for the repayment of funds originally obtained to purchase property. The primary source of revenue is transfers.

Zumwalt Campground Fund - The Zumwalt Campground Fund is used to accumulate funds dedicated to operation of the Zumwalt Campground. The primary source of revenue is user fees.

Business Assistance Loan/Grants Fund - The Business Assistance Loan/Grants Fund accounts for funds available to lend or grant for community development. The primary source of revenue is interest income.

Parks and Recreation Fund- The Parks and Recreation Fund is used to account for revenues related to parks and recreation programs. The primary source of revenue is property taxes.

Capital Projects Funds

Pool Facilities Fund - The Pool Facilities Fund accounts for donations related to swimming pool facilities.

Public Works Equipment Reserve Fund - The Public Works Equipment Reserve Fund is used to accumulate funds for future equipment purchases. The primary source of revenue is transfers committed by the City Council.

West Broadway Fund - The West Broadway Fund accounts for the planning, design and improvements and expansion of West Broadway Avenue. The primary source of revenue is investment earnings.

Governmental Reserve Fund - The Governmental Reserve Fund is used to accumulate funds for future maintenance, operation, and construction of the City's streets. The primary source of revenue is transfers.

Debt Service Funds

Debt Service Fund - The Debt Service Fund accounts for the repayment of the City's long-term debt. The primary source of revenue is property taxes. The primary use of revenue is for the payment of principal and interest due on long-term debt.

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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.

Enterprise Funds

Water Capital Construction Fund – The Water Capital Construction Fund is used to accumulate funds for future water system development costs. The primary source of revenue is water system development charges.

Enterprise Reserve Fund – The Enterprise Reserve Fund is used to accumulate funds for sewer system needs. The primary source of revenue is investment income.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activity column.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The 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 when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

F. Budgetary Information

1. Budgetary Basis of Accounting

The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, enterprise, and internal service funds. All funds are budgeted on the modified accrual basis of accounting.

In early spring a preliminary budget calendar, budget preparation manual and budget worksheets are distributed to appropriate department directors. The City Administrator and the Finance Director develop a proposed budget, after which the notice of the first Budget Committee meeting is published twice. No less than five days, or more than thirty days after the notices are published, the Budget Committee (consisting of the City Council and an equal number of citizens of the City of Veneta) meets to consider the proposed budget. The Budget Message is delivered, explaining the proposed budget and any significant changes in the City's financial assets.

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June 30, 2016

The Budget Committee conducts the public meetings for the purpose of obtaining citizens' comments, deliberates on, and subsequently approves the proposed budget, which includes any additions or deletions from the one presented by the City Administrator originally. The Budget Committee then submits the approved budget to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10% by the Council without returning to the Budget Committee for a second approval. After the Council adopts the budget and certifies the total ad valorem taxes to be levied, as approved by the budget committee, no additional tax levy may be made for that fiscal year. The City Council legally adopts the budget resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is the object group level (i.e. personnel services, materials and services, capital outlay, and other expenditures). Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the City Council at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. During the year, there were no supplemental budgets. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and two approved appropriation changes.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

2. Investments

State statutes authorize the City to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

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NOTES TO BASIC FINANCIAL STATEMENTS

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Investments for the government are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). In accordance with state law, the Pool operated in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported as the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Accounts Receivable

Receivables are recorded as revenue when earned. Accounts receivable are shown net of an allowance for uncollectible accounts. The allowance for doubtful accounts is calculated by management based on historical collection experience.

4. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements. The cost of prepaid expenses is recorded as expenditures/expenses when consumed rather than when purchased.

5. Inventory

Inventory of supplies is valued at cost using the first-in, first-out method. Inventories consist of materials for use in the water and sewer departments.

6. 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. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Land and construction in progress are not depreciated. Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Intangibles	3-5
Equipment and vehicles	5-20
Buildings and structures	10-50
Water and sewer systems	40-50
Infrastructure	65

7. Deferred Outflows/Inflows of Resources (Non-Pension Related)

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement elements, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, and uncollected revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

9. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned, fund balance).

CITY OF VENETA
Lane County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council (Council) has by resolution authorized the City Administrator and Finance Director to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts that the City intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the city council delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City's fund balance policy states that the unassigned General Fund balance will be maintained to provide the City with sufficient working capital and a margin of safety to address the needs of the City without borrowing.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other intentionally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of July 1st. The tax levy is divided into two billings: the first billing (mailed on July 1) is an estimate of the current year's levy based on prior year's taxes; the second billing (mailed on January 1) reflects adjustments to the current year's actual levy. The billings are considered past due 15 days after the respective billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

3. Compensated Absences

Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick leave

Accumulated sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation exists.

4. Pensions

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

5. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

I. 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 certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For the year ended June 30, 2016, the City's expenditures exceeded appropriations as follows:

Fund	Function	Appropriations	Expenditures	Excess
Urban Renewal Agency - Debt Service	Debt Service	\$ 578,238	\$ 578,415	\$ 177

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The City of Veneta maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled 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 price, 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.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-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 commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares. Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments. The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896. Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' 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 Government Investment Pool. The City has not adopted a formal policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2016, the City had the following investments:

	<u>Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated		<u>\$ 15,771,787</u>

Interest Rate Risk

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. All City deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. The City holds accounts at Key Bank, and Banner Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2016 the City had deposits of \$605,419 insured by the FDIC, and \$349,472 collateralized under the PFCP.

Deposits

The City's deposits and investments at June 30, 2016 are as follows:

Cash on hand	\$	270
Checking account		1,872,626
Total investments		15,771,787
Total deposits and investments	\$	17,644,683

Cash and investments by fund:

Governmental activities - unrestricted		
General Fund	\$	1,376,550
Local Improvements Fund		334,806
Street Fund		1,290,444
Nonmajor governmental funds		4,432,028
Total governmental activities - unrestricted		7,433,828
Business-type activities - unrestricted		
Water Fund		1,725,157
Sewer Fund		1,540,055
Nonmajor enterprise funds		1,348,441
Total business-type activities - unrestricted		4,613,653
Total unrestricted cash and investments		12,047,481

(continued)

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Cash and investments by fund (continued):

Governmental activities - restricted	
Urban Renewal - General Fund	490,936
Urban Renewal - Debt Service Fund	1,562,155
Total governmental activities - restricted	2,053,091
Business-type activities - restricted	
Water Fund	560,504
Sewer Fund	231,298
Capital Construction - Sewer Fund	2,313,051
Nonmajor enterprise funds	439,258
Total business-type activities - restricted	3,544,111
Total restricted cash and investments	5,597,202
Total cash and investments	\$ 17,644,683

B. Restricted Assets

Restricted assets are for future payments of principal and interest on long-term debt, future urban renewal projects, and system development.

Restricted assets	
Governmental activities	
Cash	\$ 2,053,091
Cash with agent	1,061
Property taxes receivable	54,659
Total governmental activities	2,108,811
Business-type activities	
Cash	3,544,111
Total restricted assets	\$ 5,652,922

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

C. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,681,601	\$ -	\$ -	\$ 2,681,601
Work in process	2,361	37,094	-	39,455
Total capital assets not being depreciated	2,683,962	37,094	-	2,721,056
Capital assets being depreciated				
Buildings and structures	5,964,303	-	-	5,964,303
Machinery and equipment	144,597	-	-	144,597
Vehicles	123,813	-	(8,875)	114,938
Intangibles	46,494	-	-	46,494
Infrastructure	12,078,355	-	-	12,078,355
Total capital assets being depreciated	18,357,562	-	(8,875)	18,348,687
Less accumulated depreciation for				
Buildings and structures	(967,041)	(149,587)	-	(1,116,628)
Machinery and equipment	(131,088)	(2,052)	-	(133,140)
Vehicles	(111,056)	(2,835)	8,875	(105,016)
Intangibles	(46,434)	(60)	-	(46,494)
Infrastructure	(1,384,216)	(185,821)	-	(1,570,037)
Total accumulated depreciation	(2,639,835)	(340,355)	8,875	(2,971,315)
Total capital assets being depreciated, net	15,717,727	(340,355)	-	15,377,372
Governmental activities capital assets, net	\$ 18,401,689	\$ (303,261)	\$ -	\$ 18,098,428

(Continued)

CITY OF VENETA
Lane County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

(Continued)	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 756,653	\$ -	\$ -	\$ 756,653
Work in process	<u>93,377</u>	<u>15,703</u>	<u>(91,513)</u>	<u>17,567</u>
Total capital assets not being depreciated	<u>850,030</u>	<u>15,703</u>	<u>(91,513)</u>	<u>774,220</u>
Capital assets being depreciated				
Water and sewer systems	30,622,776	394,210	-	31,016,986
Equipment and vehicles	<u>390,380</u>	<u>-</u>	<u>(17,749)</u>	<u>372,631</u>
Total capital assets being depreciated	<u>31,013,156</u>	<u>394,210</u>	<u>(17,749)</u>	<u>31,389,617</u>
Less accumulated depreciation for				
Water and sewer systems	(6,100,102)	(678,503)	-	(6,778,605)
Equipment and vehicles	<u>(245,979)</u>	<u>(12,221)</u>	<u>17,749</u>	<u>(240,451)</u>
Total accumulated depreciation	<u>(6,346,081)</u>	<u>(690,724)</u>	<u>17,749</u>	<u>(7,019,056)</u>
Total capital assets being depreciated, net	<u>24,667,075</u>	<u>(296,514)</u>	<u>-</u>	<u>24,370,561</u>
Business-type activities capital assets, net	<u>\$ 25,517,105</u>	<u>\$ (280,811)</u>	<u>\$ (91,513)</u>	<u>\$ 25,144,781</u>

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 2,681,601	\$ -	\$ 2,681,601
Work in process	39,455	-	39,455
Buildings and structures	5,964,303	(1,116,628)	4,847,675
Machinery and equipment	144,597	(133,140)	11,457
Vehicles	114,938	(105,016)	9,922
Intangibles	46,494	(46,494)	-
Infrastructure	12,078,355	(1,570,037)	10,508,318
Total governmental activities capital assets	21,069,743	(2,971,315)	18,098,428
Business-type activities			
Land	756,653	-	756,653
Work in process	17,567	-	17,567
Water and sewer systems	31,016,986	(6,778,605)	24,238,381
Equipment and vehicles	372,631	(240,451)	132,180
Total business-type activities capital assets	32,163,837	(7,019,056)	25,144,781
Total capital assets	\$ 53,233,580	\$ (9,990,371)	\$ 43,243,209

In relation to governmental activities and business-type activities, the use of capital assets is allocated by function/program, and depreciation expense is charged accordingly. Depreciation expense is reflected on the statement of activities as follows:

Governmental activities	
General government	\$ 340,355
Business-type activities	
Water	\$ 401,393
Sewer	289,331
Total business-type activities	\$ 690,724

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

D. Interfund Transactions

Operating transfers are reflected as other financing sources (uses) in the governmental and proprietary funds. Interfund transfers during the year consisted of:

	Transfers in:					Total
	General Fund	Local Improvements Fund	Street Fund	Nonmajor Governmental Funds	Water Fund	
Transfers out:						
Governmental activities						
Street Fund	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000
Urban Renewal - General	1,623	-	-	-	180,000	181,623
Nonmajor Governmental	1,000	-	100,000	50,000	-	151,000
Total governmental activities	<u>2,623</u>	<u>-</u>	<u>100,000</u>	<u>55,000</u>	<u>180,000</u>	<u>337,623</u>
Business-type activities						
Water Fund	-	-	-	5,000	-	5,000
Sewer Fund	-	350,000	-	80,000	-	430,000
Total business-type activities	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>85,000</u>	<u>-</u>	<u>435,000</u>
Total	<u>\$ 2,623</u>	<u>\$ 350,000</u>	<u>\$ 100,000</u>	<u>\$ 140,000</u>	<u>\$ 180,000</u>	<u>\$ 772,623</u>

The principal purpose of the interfund transfers in was to transfer funds into reserve funds for future expenses.

E. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	<u>\$ 35,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,596</u>
Business-type activities				
Compensated absences	<u>\$ 7,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,846</u>

The General, Water, and Sewer Funds have traditionally been used to liquidate the liabilities related to compensated absences.

CITY OF VENETA
Lane County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

F. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
Notes payable:							
Siuslaw Bank - Inverse Condemnation Note	3.475%	\$ 925,000	\$ 315,137	\$ -	\$ 80,006	\$ 235,131	\$ 82,889
Siuslaw Bank - Local Improvements Note	3.475%	223,502	174,716	-	9,939	164,777	10,324
General obligation bonds:							
Pool Construction	4.45%	1,100,000	932,975	-	43,000	889,975	47,000
Urban Renewal, Series 2001	3.9-5.675%	3,360,000	1,390,000	-	200,000	1,190,000	215,000
Total governmental activities		<u>\$ 5,608,502</u>	<u>\$ 2,812,828</u>	<u>\$ -</u>	<u>\$ 332,945</u>	<u>\$ 2,479,883</u>	<u>\$ 355,213</u>
Business-type activities							
Revenue Installment Bonds:							
USDA Water Pipeline #1	2.75%	\$ 7,033,000	\$ 6,934,256	\$ -	\$ 101,458	\$ 6,832,798	\$ 104,249
USDA Water Pipeline #2	2.75%	3,346,269	3,299,286	-	48,275	3,251,011	49,602
USDA Sewer System Improvement	4.50%	4,255,700	3,502,363	-	73,692	3,428,671	77,008
Siuslaw Bank - Land Purchase Note	3.475%	362,590	249,689	-	34,752	214,937	36,087
Total business-type activities		<u>\$ 14,997,559</u>	<u>\$ 13,985,594</u>	<u>\$ -</u>	<u>\$ 258,177</u>	<u>\$ 13,727,417</u>	<u>\$ 266,946</u>

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

2. Governmental and Business-type Activities - Interest Expense

In relation to governmental activities, interest expense was not charged to a specific function or program of the City. In relation to business-type activities, long-term debt obligations are related to multiple functions/programs of the City, therefore interest expense is charged accordingly. Interest expense is recorded on the statement of activities as follows:

Governmental activities	
Interest on long-term debt	<u>\$ 154,056</u>
Business-type activities	
Water	281,423
Sewer	<u>166,196</u>
Total business-type	<u>\$ 447,619</u>

3. Governmental Activity - Inverse Condemnation Note

The City obtained a loan to provide funds for property acquisition. The note is dated January 15, 2009. Interest is fixed at 3.475%. Principal and interest are due quarterly. The Inverse Condemnation Fund has traditionally been used to liquidate the liability related to the note.

4. Governmental Activity - Local Improvements Note

The City obtained a loan dated June 18, 2009 to finance local improvements funded by future assessments. Interest is fixed at 3.475%. Principal and interest are due semiannually on June 15 and December 15. The Local Improvement Fund has traditionally been used to liquidate the liability related to the local improvements note.

5. Governmental Activity - Pool Construction General Obligation Bonds

General obligation bonds are direct obligations that pledge the full faith and credit of the City and are payable from ad valorem debt service levy proceeds. The City's outstanding general obligation bonds represent funding for pool facilities. Interest is fixed at 4.45%. Interest is due semiannually on July 1 and January 1. Principal is due annually on January 1. The Debt Service Fund has traditionally been used to liquidate the liability related to the bonds.

6. Governmental Activity - Urban Renewal General Obligation Bonds, Series 2001

General obligation bonds are direct obligations that pledge the full faith and credit of the Agency and are payable from ad valorem debt service levy proceeds. The Agency's outstanding general obligation bonds represent funding for urban renewal projects. Interest is fixed and ranges between 3.9% and 5.675%.

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Interest rates increase in accordance with original bond documents. Interest is due semiannually on February 1 and August 1. Principal is due annually on February 1. The Urban Renewal Agency Debt Service Fund has traditionally been used to liquidate the liability related to the urban renewal general obligation bonds.

7. Governmental Activity - Future Maturities of Long-Term Liabilities

Year Ending June 30	Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 262,000	\$ 106,542	\$ 93,213	\$ 12,907	\$ 355,213	\$ 119,449
2018	275,000	92,356	96,523	9,588	371,523	101,944
2019	289,000	77,476	77,450	6,143	366,450	83,619
2020	308,000	61,852	11,436	4,588	319,436	66,440
2021	328,000	45,210	11,855	4,168	339,855	49,378
2022-2026	359,000	107,152	65,894	14,221	424,894	121,373
2027-2029	258,975	23,404	43,537	2,641	302,512	26,045
	<u>\$ 2,079,975</u>	<u>\$ 513,992</u>	<u>\$ 399,908</u>	<u>\$ 54,256</u>	<u>\$ 2,479,883</u>	<u>\$ 568,248</u>

8. Business-Type Activity - Water Pipeline Revenue Installment Bonds

Revenue installment bonds are direct obligations that pledge the full faith and credit of the City and are payable from water utility revenue proceeds. Interest is fixed at 2.75%. The City's outstanding revenue installment bonds represent funding primarily for system improvement projects. Principal and interest are due annually on September 20. The Water Capital Construction and Water Funds have traditionally been used to liquidate liabilities related to the revenue installment bonds.

9. Business-Type Activity - USDA Sewer System Improvement

The City obtained financing dated August 8, 2000 to fund sewer system improvements. Interest is fixed at 4.5%. Principal and interest are due annually on August 8. Sewer system revenues are pledged as collateral for the issue. The Sewer and Sewer Capital Construction Funds have traditionally been used to liquidate the liability related to the sewer system improvement loan.

10. Business-Type Activity - Siuslaw Bank Land Purchase Note

The City obtained a loan from Siuslaw Bank to provide funds for land acquisition. The note is dated December 15, 2011. Interest is fixed at 3.48%. Principal and interest are due semiannually on June 12 and December 12. The Sewer Capital Construction Fund has traditionally been used to liquidate the liability related to the land purchase note.

CITY OF VENETA
Lane County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

11. Business-Type Activity - Future Maturities of Long-Term Liabilities

Year Ending June 30	Water Pipeline Bonds		Sewer System Improvement	
	Principal	Interest	Principal	Interest
2017	\$ 153,851	\$ 277,305	\$ 77,008	\$ 154,290
2018	158,082	273,074	80,473	150,825
2019	162,430	268,726	84,094	147,204
2020	166,896	264,260	87,879	143,419
2021	171,486	259,670	91,833	139,465
2022-2026	930,815	1,224,965	525,001	631,489
2027-2031	1,066,037	1,089,743	654,246	502,244
2032-2036	1,220,903	934,877	815,309	341,181
2037-2041	1,398,269	757,511	1,012,828	140,465
2042-2046	1,601,400	554,380	-	-
2047-2051	1,834,041	321,739	-	-
2052-2054	1,219,599	67,517	-	-
	<u>\$ 10,083,809</u>	<u>\$ 6,293,767</u>	<u>\$ 3,428,671</u>	<u>\$ 2,350,582</u>

Year Ending June 30	Land Purchase Note		Total Requirements	
	Principal	Interest	Principal	Interest
2017	\$ 36,087	\$ 7,255	\$ 266,946	\$ 438,850
2018	37,369	5,973	275,924	429,872
2019	38,686	4,656	285,210	420,586
2020	40,073	3,269	294,848	410,948
2021	41,494	1,849	304,813	400,984
2022-2026	21,132	373	1,476,948	1,856,827
2027-2031	-	-	1,720,283	1,591,987
2032-2036	-	-	2,036,212	1,276,058
2037-2041	-	-	2,411,097	897,976
2042-2046	-	-	1,601,400	554,380
2047-2051	-	-	1,834,041	321,739
2052-2054	-	-	1,219,599	67,517
	<u>\$ 214,841</u>	<u>\$ 23,375</u>	<u>\$ 13,727,321</u>	<u>\$ 8,667,724</u>

CITY OF VENETA
Lane County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

G. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet as follows:

	General Fund	Local Improvements Fund	Street Fund	Urban Renewal General Fund	Urban Renewal Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:							
Nonspendable - prepaid expenses	\$ -	\$ -	\$ -	\$ 180	\$ -	\$ -	\$ 180
Restricted for:							
Urban renewal projects	-	-	-	490,003	-	-	490,003
Debt service	-	-	-	-	1,262,939	263,037	1,525,976
Capital projects	-	-	-	-	-	1,762,837	1,762,837
Committed for:							
Local improvements	-	334,806	-	-	-	122,684	457,490
Streets and roads	-	-	1,261,406	-	-	-	1,261,406
Public safety	-	-	-	-	-	271,251	271,251
Community development	-	-	-	-	-	371,501	371,501
Equipment purchases	-	-	-	-	-	197,385	197,385
Business development	-	-	-	-	-	155,877	155,877
Capital projects	-	-	-	-	-	1,116,029	1,116,029
Unassigned	1,242,105	-	-	-	-	-	1,242,105
Total fund balances	<u>\$ 1,242,105</u>	<u>\$ 334,806</u>	<u>\$ 1,261,406</u>	<u>\$ 490,183</u>	<u>\$ 1,262,939</u>	<u>\$ 4,260,601</u>	<u>\$ 8,852,040</u>

CITY OF VENETA
Lane County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Restatement of Previously Issued Financial Statements

The City's net position was restated as follows:

	<u>Governmental Activities</u>
Net position - beginning, as originally reported	\$ 23,937,717
Reversal of assets held for sale	<u>(29,345)</u>
Net position - beginning, as restated	<u>\$ 23,908,372</u>

C. Retirement Plan

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

Name of Pension Plan

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

Description of Benefit Terms

Plan Benefits - PERS Pension (Chapter 238)

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A

PERS Pension

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

CITY OF VENETA
Lane County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

Death Benefits

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

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for a either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

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OPSRP Pension Program (OPSRP DB)

Pension Benefits

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: police and fire - 1.8 percent is multiplied by the number of years of service and the final average salary.

Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Contributions

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

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2016 were \$104,326.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll: Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent
Mortality	<p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Discount Rate

The discount rate used to measure the total pension liability/asset was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined.

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability or asset.

Pension Liabilities or Assets, Pension Expense or Credit, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a liability of \$609,460 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015 the City's proportion was 0.01061507%.

For the year ended June 30, 2016, the City recognized pension expense of \$595,886. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,865	\$ -
Net difference between projected and actual earnings on investments	-	127,757
Changes in proportionate share	34,083	-
Differences between employer contributions and employer's proportionate share of system contributions	-	41,746
Total (prior to post-MD contributions)	66,948	169,503
Contributions subsequent to the MD	98,780	-
Total (subsequent to the post-MD contributions)	\$ 165,728	\$ 169,503

CITY OF VENETA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported by the City as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2017	\$ (57,515)
2018	(57,515)
2019	(57,515)
2020	59,396
2021	2,221
Total	\$ (110,928)

Discount Rate

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a higher discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

City's proportionate share of the net pension liability (asset):

1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
\$ 1,470,909	\$ 609,460	\$ (116,515)

Plan Changes Reflected

The Oregon Supreme Court decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The *Moro* decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation.

CITY OF VENETA
Lane County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the PERS system. Due to the timing of the Supreme Court decision, this means the COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. The increase in the Total Pension Liability resulting from the *Moro* decision was measured at June 30, 2015. To reflect the *Moro* decision, we estimated the blended COLA based on creditable service before and after the effective dates of the legislation. This approach is consistent with OAR 459-005-0510, adopted by the PERS Board in September 2015.

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occur after that date are reflected in amounts reported for the subsequent Measurement Date. However, paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

We are not aware of any changes subsequent to the June 30, 2015 Measurement Date that meet this requirement.

D. Subsequent Events

Management has evaluated subsequent events through December 19, 2016, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VENETA
Lane County, Oregon

SCHEDULES OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET) AND CITY CONTRIBUTIONS

OREGON PERS SYSTEM

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.01061507%	0.00862998%
City's proportionate share of the net pension liability (asset)	\$ 609,460	\$ (195,617)
City's covered-employee payroll	\$ 725,675	\$ 722,475
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	84%	-27%
Plan fiduciary net position as a percentage of the total pension liability (asset) from audited schedules	91.88%	103.59%

Schedule of City Contributions

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 104,326	\$ 73,693
Contributions in relation to the contractually required contribution	<u>(104,326)</u>	<u>(73,693)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 891,558	\$ 797,352
Contributions as a percentage of covered-employee payroll	12%	9%

CITY OF VENETA
Lane County, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES				
Property taxes	\$ 253,404	\$ 253,404	\$ 9,801	\$ 263,205
Franchise taxes	107,542	107,542	4,786	112,328
Licenses, permits, and fees	42,348	42,348	129,209	171,557
Operating grants and contributions	6,550	6,550	19,414	25,964
Intergovernmental charges	71,565	71,565	17,779	89,344
Fines	14,200	14,200	10,646	24,846
Investment earnings	4,152	4,152	2,878	7,030
Rents and leases	45,297	45,297	226	45,523
Miscellaneous	7,820	7,820	(47)	7,773
Total revenues	<u>552,878</u>	<u>552,878</u>	<u>194,692</u>	<u>747,570</u>
EXPENDITURES				
Current				
Personnel services	311,833	311,833	(27,067)	284,766
Material and services	259,746	334,746	(41,422)	293,324
Capital outlay	58,000	58,000	(54,080)	3,920
Contingency	75,000	-	-	-
Total expenditures	<u>704,579</u>	<u>704,579</u>	<u>(122,569)</u>	<u>582,010</u>
Excess (deficiency) of revenues over (under) expenditures	(151,701)	(151,701)	317,261	165,560
OTHER FINANCING SOURCES (USES)				
Transfers in	11,000	11,000	(8,377)	2,623
Net change in fund balance	(140,701)	(140,701)	308,884	168,183
Fund balance - beginning	<u>829,886</u>	<u>829,886</u>	<u>244,036</u>	<u>1,073,922</u>
Fund balance - ending	<u>\$ 689,185</u>	<u>\$ 689,185</u>	<u>\$ 552,920</u>	<u>\$ 1,242,105</u>

CITY OF VENETA
Lane County, Oregon

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

LOCAL IMPROVEMENTS FUND

For the Year Ended June 30, 2016

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual GAAP Basis</u>
REVENUES			
Fees and charges	\$ 66,367	\$ 60,414	\$ 126,781
Investment earnings	<u>360</u>	<u>294</u>	<u>654</u>
Total revenues	<u>66,727</u>	<u>60,708</u>	<u>127,435</u>
EXPENDITURES			
Current			
Materials and services	550	(550)	-
Debt service	16,136	(112)	16,024
Capital outlay	<u>350,000</u>	<u>(122,934)</u>	<u>227,066</u>
Total expenditures	<u>366,686</u>	<u>(123,596)</u>	<u>243,090</u>
Excess (deficiency) of revenues over (under) expenditures	(299,959)	184,304	(115,655)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>350,000</u>	<u>-</u>	<u>350,000</u>
Net change in fund balance	50,041	184,304	234,345
Fund balance - beginning	<u>108,036</u>	<u>(7,575)</u>	<u>100,461</u>
Fund balance - ending	<u>\$ 158,077</u>	<u>\$ 176,729</u>	<u>\$ 334,806</u>

CITY OF VENETA
Lane County, Oregon

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

STREET FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	GAAP Basis
REVENUES			
Franchise Taxes	\$ 107,542	\$ 4,786	\$ 112,328
Intergovernmental Grants	230,614	47,174	277,788
	50,000	(50,000)	-
Fees and charges	112,560	2,030	114,590
Investment earnings	7,693	1,180	8,873
Rents and leases	-	215	215
Miscellaneous	25	1,766	1,791
	<u>508,434</u>	<u>7,151</u>	<u>515,585</u>
EXPENDITURES			
Current			
Personnel services	162,954	(9,012)	153,942
Materials and services	572,706	(41,479)	531,227
Capital outlay	36,800	(6,667)	30,133
Contingency	100,000	(100,000)	-
	<u>872,460</u>	<u>(157,158)</u>	<u>715,302</u>
Excess (deficiency) of revenues over (under) expenditures	(364,026)	164,309	(199,717)
OTHER FINANCING SOURCES (USES)			
Transfers in	100,000	-	100,000
Transfers out	(5,000)	-	(5,000)
	<u>95,000</u>	<u>-</u>	<u>95,000</u>
Net change in fund balance	(269,026)	164,309	(104,717)
Fund balance - beginning	1,376,599	(10,476)	1,366,123
Fund balance - ending	<u>\$ 1,107,573</u>	<u>\$ 153,833</u>	<u>\$ 1,261,406</u>

CITY OF VENETA
Lane County, Oregon

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

VENETA URBAN RENEWAL AGENCY - GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Investment earnings	\$ 750	\$ 750	\$ 925	\$ 1,675	\$ -	\$ 1,675
EXPENDITURES						
Current						
Materials and services	65,500	65,500	(44,920)	20,580	(20,580)	-
Urban renewal	-	-	-	-	202,203	202,203
Contingency	5,000	5,000	(5,000)	-	-	-
Total expenditures	70,500	70,500	(49,920)	20,580	181,623	202,203
Excess (deficiency) of revenues over (under) expenditures	(69,750)	(69,750)	50,845	(18,905)	(181,623)	(200,528)
OTHER FINANCING						
SOURCES (USES)						
Loan proceeds	300,000	300,000	-	300,000	-	300,000
Transfers out	(195,000)	(190,000)	(8,377)	(181,623)	181,623	-
Total other financing sources (uses)	105,000	110,000	(8,377)	118,377	181,623	300,000
Net change in fund balance	35,250	40,250	42,468	99,472	-	99,472
Fund balance - beginning	217,192	217,192	173,519	390,711	390,711	390,711
Fund balance - ending	\$ 252,442	\$ 257,442	\$ 215,987	\$ 490,183	\$ 390,711	\$ 490,183

OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

CITY OF VENETA
Lane County, Oregon

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Funds				
	Law Enforcement Fund	Planning Fund	Storm-water Fund	Capital Construction Fund	Inverse Condemnation Fund
ASSETS					
Cash and cash equivalents	\$ 460,498	\$ 202,632	\$ 159,778	\$ 1,191,682	\$ 66,510
Accounts receivable, net	20,515	6,860	6,771	-	-
Property taxes receivable	57,707	11,644	-	-	-
Notes receivable	-	-	-	-	-
Total assets	<u>\$ 538,720</u>	<u>\$ 221,136</u>	<u>\$ 166,549</u>	<u>\$ 1,191,682</u>	<u>\$ 66,510</u>
LIABILITIES					
Accounts payable	\$ 210,843	\$ 2,101	\$ 161	\$ 582	\$ -
Accrued liabilities	-	-	-	-	-
Total liabilities	<u>210,843</u>	<u>2,101</u>	<u>161</u>	<u>582</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	56,626	11,435	-	-	-
Unearned revenue	-	2,487	-	-	-
Total deferred inflows of resources	<u>56,626</u>	<u>13,922</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted	-	-	-	1,191,100	66,510
Committed	271,251	205,113	166,388	-	-
Total fund balances	<u>271,251</u>	<u>205,113</u>	<u>166,388</u>	<u>1,191,100</u>	<u>66,510</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 538,720</u>	<u>\$ 221,136</u>	<u>\$ 166,549</u>	<u>\$ 1,191,682</u>	<u>\$ 66,510</u>

Special Revenue Funds			Capital Projects Funds					Total
Zumwalt Campground Fund	Business Assistance Loan/Grants	Parks and Recreation Fund	Pool Facilities Fund	Public Works Equipment	West Broadway Fund	Governmental Reserve Fund	Debt Service Fund	Nonmajor Governmental Funds
\$ 124,842	\$ 155,877	\$ 552,655	\$ 7,779	\$ 197,385	\$ 58,006	\$ 1,058,023	\$ 196,361	\$ 4,432,028
-	-	20,700	-	-	-	-	-	54,846
-	-	15,730	-	-	-	-	8,921	94,002
-	15,000	-	-	-	-	-	-	15,000
<u>\$ 124,842</u>	<u>\$ 170,877</u>	<u>\$ 589,085</u>	<u>\$ 7,779</u>	<u>\$ 197,385</u>	<u>\$ 58,006</u>	<u>\$ 1,058,023</u>	<u>\$ 205,282</u>	<u>\$ 4,595,876</u>
\$ 2,158	\$ -	\$ 9,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,247
-	-	325	-	-	-	-	-	325
<u>2,158</u>	<u>-</u>	<u>9,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,572</u>
-	-	15,400	-	-	-	-	8,755	92,216
-	15,000	-	-	-	-	-	-	17,487
-	15,000	15,400	-	-	-	-	8,755	109,703
-	-	563,958	7,779	-	-	-	196,527	2,025,874
122,684	155,877	-	-	197,385	58,006	1,058,023	-	2,234,727
<u>122,684</u>	<u>155,877</u>	<u>563,958</u>	<u>7,779</u>	<u>197,385</u>	<u>58,006</u>	<u>1,058,023</u>	<u>196,527</u>	<u>4,260,601</u>
<u>\$ 124,842</u>	<u>\$ 170,877</u>	<u>\$ 589,085</u>	<u>\$ 7,779</u>	<u>\$ 197,385</u>	<u>\$ 58,006</u>	<u>\$ 1,058,023</u>	<u>\$ 205,282</u>	<u>\$ 4,595,876</u>

CITY OF VENETA
Lane County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	Special Revenue Funds				
	Law Enforcement Fund	Planning Fund	Storm-water Fund	Capital Construction Fund	Inverse Condemnation Fund
REVENUES					
Property taxes	\$ 709,262	\$ 137,508	\$ -	\$ -	\$ -
Licenses, permits, and fees	39,968	-	-	-	-
Charges for services	-	45,197	-	252,142	-
Operating grants	-	-	-	-	-
Fees and charges	-	-	61,591	-	-
Intergovernmental	-	-	-	-	-
Investment earnings	2,481	1,410	1,060	6,080	365
Rents and leases	-	-	-	-	-
Miscellaneous	-	7,167	62	-	-
Total revenues	<u>751,711</u>	<u>191,282</u>	<u>62,713</u>	<u>258,222</u>	<u>365</u>
EXPENDITURES					
Current					
General government	-	198,426	-	-	-
Public safety	843,987	-	-	-	-
Public works	-	-	34,534	-	-
Culture and recreation	-	-	-	-	-
Debt service	-	-	-	-	90,088
Capital outlay	-	-	-	3,041	-
Total expenditures	<u>843,987</u>	<u>198,426</u>	<u>34,534</u>	<u>3,041</u>	<u>90,088</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(92,276)</u>	<u>(7,144)</u>	<u>28,179</u>	<u>255,181</u>	<u>(89,723)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	5,000	-	-	-	100,000
Transfers out	-	-	(25,000)	-	-
Total other financing sources (uses)	<u>5,000</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>100,000</u>
Net change in fund balances	(87,276)	(7,144)	3,179	255,181	10,277
Fund balances - beginning	<u>358,527</u>	<u>212,257</u>	<u>163,209</u>	<u>935,919</u>	<u>56,233</u>
Fund balances - ending	<u>\$ 271,251</u>	<u>\$ 205,113</u>	<u>\$ 166,388</u>	<u>\$ 1,191,100</u>	<u>\$ 66,510</u>

Special Revenue Funds			Capital Projects Funds				Debt Service Fund	Total Nonmajor Governmental Funds
Zumwalt Campground Fund	Business Assistance Loan/Grants	Parks and Recreation Fund	Pool Facilities Fund	Public Works Equipment	West Broadway Fund	Governmental Reserve Fund		
\$ -	\$ -	\$ 220,902	\$ -	\$ -	\$ -	\$ -	\$ 96,541	\$ 1,164,213
-	-	-	-	-	-	-	-	39,968
67,813	-	50,618	-	-	-	-	-	415,770
-	-	-	-	-	-	-	-	-
50	-	-	-	-	-	-	-	61,641
-	-	44,427	-	-	-	-	-	44,427
704	1,012	3,254	46	1,145	374	7,473	835	26,239
-	-	-	-	-	-	-	-	-
240	-	3,213	650	4,900	-	-	-	16,232
<u>68,807</u>	<u>1,012</u>	<u>322,414</u>	<u>696</u>	<u>6,045</u>	<u>374</u>	<u>7,473</u>	<u>97,376</u>	<u>1,768,490</u>
-	-	-	-	-	-	-	-	198,426
-	-	-	-	-	-	-	-	843,987
-	-	-	-	-	-	-	-	34,534
29,423	-	272,329	-	-	-	-	-	301,752
-	-	-	-	-	-	-	84,546	174,634
-	-	-	-	-	-	-	-	3,041
<u>29,423</u>	<u>-</u>	<u>272,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,546</u>	<u>1,556,374</u>
<u>39,384</u>	<u>1,012</u>	<u>50,085</u>	<u>696</u>	<u>6,045</u>	<u>374</u>	<u>7,473</u>	<u>12,830</u>	<u>212,116</u>
-	-	20,000	-	15,000	-	-	-	140,000
<u>(25,000)</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(151,000)</u>
<u>(25,000)</u>	<u>(1,000)</u>	<u>20,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(11,000)</u>
14,384	12	70,085	696	21,045	374	(92,527)	12,830	201,116
<u>108,300</u>	<u>155,865</u>	<u>493,873</u>	<u>7,083</u>	<u>176,340</u>	<u>57,632</u>	<u>1,150,550</u>	<u>183,697</u>	<u>4,059,485</u>
<u>\$ 122,684</u>	<u>\$ 155,877</u>	<u>\$ 563,958</u>	<u>\$ 7,779</u>	<u>\$ 197,385</u>	<u>\$ 58,006</u>	<u>\$ 1,058,023</u>	<u>\$ 196,527</u>	<u>\$ 4,260,601</u>

CITY OF VENETA
Lane County, Oregon

COMBINING STATEMENT OF NET POSITION

NONMAJOR ENTERPRISE FUNDS

June 30, 2016

	Water Capital Construction	Enterprise Reserve Fund	Total Nonmajor Enterprise Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,348,441	\$ 1,348,441
Restricted cash and cash equivalents	439,258	-	439,258
Total assets	\$ 439,258	\$ 1,348,441	\$ 1,787,699
LIABILITIES			
Accrued Interest	145,688	-	145,688
NET POSITION			
Restricted for system development	293,570	-	293,570
Unrestricted	-	1,348,441	1,348,441
Total net position	\$ 293,570	\$ 1,348,441	\$ 1,642,011

CITY OF VENETA
Lane County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET POSITION

NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2016

	<u>Water Capital Construction</u>	<u>Enterprise Reserve Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Nonoperating revenues (expenses)			
System development charges	\$ 214,838	\$ -	\$ 214,838
Investment earnings	1,545	8,702	10,247
Interest expense	<u>(160,641)</u>	<u>-</u>	<u>(160,641)</u>
 Total nonoperating revenues (expenses)	 <u>55,742</u>	 <u>8,702</u>	 <u>64,444</u>
 Change in net position	 55,742	 8,702	 64,444
Total net position - beginning	<u>237,828</u>	<u>1,339,739</u>	<u>1,577,567</u>
Total net position - ending	<u>\$ 293,570</u>	<u>\$ 1,348,441</u>	<u>\$ 1,642,011</u>

CITY OF VENETA
Lane County, Oregon

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2016

	<u>Water Capital Construction</u>	<u>Enterprise Reserve Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges	\$ 196,478	\$ -	\$ 196,478
Interest paid on capital debt	<u>(160,641)</u>	<u>-</u>	<u>(160,641)</u>
Net cash provided (used) by capital and related financing activities	<u>35,837</u>	<u>-</u>	<u>35,837</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>1,545</u>	<u>8,702</u>	<u>10,247</u>
Net cash provided (used) by investing activities	<u>1,545</u>	<u>8,702</u>	<u>10,247</u>
Net increase (decrease) in cash and cash equivalents	37,382	8,702	46,084
Cash and cash equivalents - ending (including \$401,876 in the Water Capital Construction Fund, reported in restricted accounts)	<u>401,876</u>	<u>1,339,739</u>	<u>1,741,615</u>
Cash and cash equivalents - ending (including \$439,258 in the Water Capital Construction Fund, reported in restricted accounts)	<u>\$ 439,258</u>	<u>\$ 1,348,441</u>	<u>\$ 1,787,699</u>

CITY OF VENETA
Lane County, Oregon

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

LAW ENFORCEMENT FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Property taxes	\$ 701,125	\$ 8,137	\$ 709,262
Licenses, permits and fees	60,800	(20,832)	39,968
Investment earnings	2,236	245	2,481
Miscellaneous	50	(50)	-
Total revenues	764,211	(12,500)	751,711
EXPENDITURES			
Current			
Materials and services	847,197	(3,210)	843,987
Capital outlay	2,500	(2,500)	-
Contingency	2,500	(2,500)	-
Total expenditures	852,197	(8,210)	843,987
Excess (deficiency) of revenues over (under) expenditures	(87,986)	(4,290)	(92,276)
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000	-	5,000
Net change in fund balance	(82,986)	(4,290)	(87,276)
Fund balance - beginning	314,231	44,296	358,527
Fund balance - ending	\$ 231,245	\$ 40,006	\$ 271,251

CITY OF VENETA
Lane County, Oregon

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

PLANNING FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES				
Property taxes	\$ 136,033	\$ 136,033	\$ 1,475	\$ 137,508
Charges for services	5,000	5,000	40,197	45,197
Investment earnings	1,023	1,023	387	1,410
Miscellaneous	1,075	1,075	6,092	7,167
	<u>143,131</u>	<u>143,131</u>	<u>48,151</u>	<u>191,282</u>
EXPENDITURES				
Current				
Personnel services	154,891	154,891	(4,849)	150,042
Materials and services	39,623	59,623	(11,239)	48,384
Capital outlay	6,400	6,400	(6,400)	-
Contingency	25,000	5,000	(5,000)	-
	<u>225,914</u>	<u>225,914</u>	<u>(27,488)</u>	<u>198,426</u>
Excess (deficiency) of revenues over (under) expenditures	(82,783)	(82,783)	75,639	(7,144)
Fund balance - beginning	<u>177,850</u>	<u>177,850</u>	<u>34,407</u>	<u>212,257</u>
Fund balance - ending	<u>\$ 95,067</u>	<u>\$ 95,067</u>	<u>\$ 110,046</u>	<u>\$ 205,113</u>

CITY OF VENETA
Lane County, Oregon

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

STORM-WATER FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Fees and charges	\$ 58,830	\$ 2,761	\$ 61,591
Investment earnings	689	371	1,060
Miscellaneous	25	37	62
Total revenues	59,544	3,169	62,713
EXPENDITURES			
Current			
Personnel services	32,089	(1,593)	30,496
Materials and services	10,016	(5,978)	4,038
Capital outlay	6,400	(6,400)	-
Total expenditures	48,505	(13,971)	34,534
Excess (deficiency) of revenues over (under) expenditures	11,039	17,140	28,179
OTHER FINANCING SOURCES (USES)			
Transfers out	(25,000)	-	(25,000)
Net change in fund balance	(13,961)	17,140	3,179
Fund balance - beginning	137,990	25,219	163,209
Fund balance - ending	\$ 124,029	\$ 42,359	\$ 166,388

CITY OF VENETA
Lane County, Oregon

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

CAPITAL CONSTRUCTION FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Charges for services	\$ 112,990	\$ 139,152	\$ 252,142
Investment earnings	3,857	2,223	6,080
Total revenues	116,847	141,375	258,222
EXPENDITURES			
Capital outlay	3,600	(559)	3,041
Excess (deficiency) of revenues over (under) expenditures	113,247	141,934	255,181
Fund balance - beginning	854,000	81,919	935,919
Fund balance - ending	\$ 967,247	\$ 223,853	\$ 1,191,100

CITY OF VENETA
Lane County, Oregon

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

INVERSE CONDEMNATION FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Investment earnings	\$ 10	\$ 355	\$ 365
EXPENDITURES			
Current			
Materials and services	100	(100)	-
Debt service	92,012	(1,924)	90,088
Total expenditures	92,112	(2,024)	90,088
Excess (deficiency) of revenues over (under) expenditures	(92,102)	2,379	(89,723)
OTHER FINANCING SOURCES (USES)			
Transfers in	100,000	-	100,000
Net change in fund balance	7,898	2,379	10,277
Fund balance - beginning	21,000	35,233	56,233
Fund balance - ending	\$ 28,898	\$ 37,612	\$ 66,510

CITY OF VENETA
Lane County, Oregon

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

ZUMWALT CAMPGROUND FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Charges for services	\$ 66,000	\$ 1,813	\$ 67,813
Fees and charges	50	-	50
Investment earnings	400	304	704
Miscellaneous	50	190	240
Total revenues	66,500	2,307	68,807
EXPENDITURES			
Current			
Materials and services	42,325	(12,902)	29,423
Excess (deficiency) of revenues over (under) expenditures	24,175	15,209	39,384
OTHER FINANCING SOURCES (USES)			
Transfers out	(25,000)	-	(25,000)
Net change in fund balance	(825)	15,209	14,384
Fund balance - beginning	130,000	(21,700)	108,300
Fund balance - ending	\$ 129,175	\$ (6,491)	\$ 122,684

CITY OF VENETA
Lane County, Oregon

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

BUSINESS ASSISTANCE LOAN/GRANT FUND

For the Year Ended June 30, 2016

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual GAAP Basis</u>
REVENUES			
Investment earnings	\$ 450	\$ 562	\$ 1,012
Miscellaneous	<u>20</u>	<u>(20)</u>	<u>-</u>
Total revenues	<u>470</u>	<u>542</u>	<u>1,012</u>
EXPENDITURES			
Current			
Materials and services	<u>39,050</u>	<u>(39,050)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(38,580)	39,592	1,012
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(1,000)</u>	<u>-</u>	<u>(1,000)</u>
Net change in fund balance	(39,580)	39,592	12
Fund balance - beginning	<u>156,346</u>	<u>(481)</u>	<u>155,865</u>
Fund balance - ending	<u>\$ 116,766</u>	<u>\$ 39,111</u>	<u>\$ 155,877</u>

CITY OF VENETA
Lane County, Oregon

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

PARKS AND RECREATION FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES				
Property taxes	\$ 204,543	\$ 204,543	\$ 16,359	\$ 220,902
Charges for services	46,700	46,700	3,918	50,618
Intergovernmental	40,268	40,268	4,159	44,427
Investment earnings	1,000	1,000	2,254	3,254
Miscellaneous	150	150	3,063	3,213
	<u>292,661</u>	<u>292,661</u>	<u>29,753</u>	<u>322,414</u>
EXPENDITURES				
Current				
Personnel services	200,517	220,517	(27,864)	192,653
Materials and services	137,066	137,066	(57,390)	79,676
Capital outlay	39,800	39,800	(39,800)	-
Contingency	20,000	-	-	-
	<u>397,383</u>	<u>397,383</u>	<u>(125,054)</u>	<u>272,329</u>
Excess (deficiency) of revenues over (under) expenditures	(104,722)	(104,722)	154,807	50,085
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	-	20,000
Net change in fund balance	(84,722)	(84,722)	154,807	70,085
Fund balance - beginning	329,087	329,087	164,786	493,873
Fund balance - ending	<u>\$ 244,365</u>	<u>\$ 244,365</u>	<u>\$ 319,593</u>	<u>\$ 563,958</u>

CITY OF VENETA
Lane County, Oregon

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

POOL FACILITIES FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Investment earnings	\$ -	\$ 46	\$ 46
Miscellaneous	25	625	650
Total revenues	25	671	696
EXPENDITURES			
	-	-	-
Excess (deficiency) of revenues over (under) expenditures	25	671	696
Fund balance - beginning	6,500	583	7,083
Fund balance - ending	\$ 6,525	\$ 1,254	\$ 7,779

CITY OF VENETA
Lane County, Oregon

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

PUBLIC WORKS EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Investment income	\$ 733	\$ 412	\$ 1,145
Miscellaneous	-	4,900	4,900
Total revenues	733	5,312	6,045
EXPENDITURES			
Capital outlay	25,000	(25,000)	-
Excess (deficiency) of revenues over (under) expenditures	(24,267)	30,312	6,045
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	-	15,000
Net change in fund balance	(9,267)	30,312	21,045
Fund balance - beginning	184,000	(7,660)	176,340
Fund balance - ending	\$ 174,733	\$ 22,652	\$ 197,385

CITY OF VENETA
Lane County, Oregon

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

WEST BROADWAY FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Investment earnings	\$ 150	\$ 224	\$ 374
Miscellaneous	50	(50)	-
Total revenues	200	174	374
EXPENDITURES			
Current			
Materials and supplies	150	(150)	-
Excess (deficiency) of revenues over (under) expenditures	50	324	374
Fund balance - beginning	44,600	13,032	57,632
Fund balance - ending	\$ 44,650	\$ 13,356	\$ 58,006

CITY OF VENETA
Lane County, Oregon

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

GOVERNMENTAL RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Investment earnings	\$ 2,214	\$ 5,259	\$ 7,473
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over (under) expenditures	2,214	5,259	7,473
OTHER FINANCING SOURCES (USES)			
Transfers out	(100,000)	-	(100,000)
Net change in fund balance	(97,786)	5,259	(92,527)
Fund balance - beginning	1,149,593	957	1,150,550
Fund balance - ending	\$ 1,051,807	\$ 6,216	\$ 1,058,023

CITY OF VENETA
Lane County, Oregon

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

DEBT SERVICE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
Property taxes	\$ 87,800	\$ 8,741	\$ 96,541
Investment earnings	529	306	835
Total revenues	88,329	9,047	97,376
EXPENDITURES			
Debt service	87,000	(2,454)	84,546
Excess (deficiency) of revenues over (under) expenditures	1,329	11,501	12,830
Fund balance - beginning	104,000	79,697	183,697
Fund balance - ending	\$ 105,329	\$ 91,198	\$ 196,527

CITY OF VENETA
Lane County, Oregon

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

VENETA URBAN RENEWAL AGENCY - DEBT SERVICE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Property taxes	\$ 657,155	\$ 25,648	\$ 682,803	\$ (1,429)	\$ 681,374
Investment earnings	<u>750</u>	<u>4,352</u>	<u>5,102</u>	<u>-</u>	<u>5,102</u>
Total revenues	<u>657,905</u>	<u>30,000</u>	<u>687,905</u>	<u>(1,429)</u>	<u>686,476</u>
EXPENDITURES					
Debt service	<u>578,238</u>	<u>177</u>	<u>578,415</u>	<u>-</u>	<u>578,415</u>
Excess (deficiency) of revenues over (under) expenditures	79,667	29,823	109,490	(1,429)	108,061
Fund balance - beginning	<u>1,018,344</u>	<u>136,534</u>	<u>1,154,878</u>	<u>-</u>	<u>1,154,878</u>
Fund balance - ending	<u>\$ 1,098,011</u>	<u>\$ 166,357</u>	<u>\$ 1,264,368</u>	<u>\$ (1,429)</u>	<u>\$ 1,262,939</u>

CITY OF VENETA
Lane County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

WATER FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Water sales	\$ 955,050	\$ 49,376	\$ 1,004,426	\$ -	\$ 1,004,426
Investment earnings	9,359	3,304	12,663	-	12,663
Rents and leases	8,339	1,104	9,443	-	9,443
Miscellaneous	500	2,005	2,505	-	2,505
Total revenues	<u>973,248</u>	<u>55,789</u>	<u>1,029,037</u>	<u>-</u>	<u>1,029,037</u>
EXPENSES					
Current					
Personnel services	284,051	(18,124)	265,927	123,326	389,253
Materials and supplies	409,428	(103,330)	306,098	(8,844)	297,254
Capital outlay	22,000	(13,154)	8,846	-	8,846
Debt service	259,000	(15,579)	243,421	(149,734)	93,687
Depreciation	-	-	-	401,393	401,393
Contingency	100,000	(100,000)	-	-	-
Total expenses	<u>1,074,479</u>	<u>(250,187)</u>	<u>824,292</u>	<u>366,141</u>	<u>1,190,433</u>
Excess (deficiency) of revenues over (under) expenses	(101,231)	305,976	204,745	(366,141)	(161,396)
OTHER FINANCING SOURCES (USES)					
Transfers in	180,000	-	180,000	-	180,000
Transfers out	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
Total other financing sources (uses)	<u>175,000</u>	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>175,000</u>
Change in net position	73,769	305,976	379,745	(366,141)	13,604
Net position - beginning	<u>1,583,616</u>	<u>366,281</u>	<u>1,949,897</u>	<u>6,816,059</u>	<u>8,765,956</u>
Net position - ending	<u>\$ 1,657,385</u>	<u>\$ 672,257</u>	<u>\$ 2,329,642</u>	<u>\$ 6,449,918</u>	<u>\$ 8,779,560</u>

CITY OF VENETA
Lane County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

SEWER FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Sewer charges	\$ 982,805	\$ 30,560	\$ 1,013,365	\$ -	\$ 1,013,365
Investment earnings	8,188	3,145	11,333	-	11,333
Rents and leases	9,600	-	9,600	-	9,600
Miscellaneous	25	21,667	21,692	-	21,692
Total revenues	1,000,618	55,372	1,055,990	-	1,055,990
EXPENSES					
Current					
Personnel services	346,085	(20,011)	326,074	85,283	411,357
Materials and services	652,844	(150,534)	502,310	(309,552)	192,758
Capital outlay	22,000	(22,000)	-	-	-
Debt service	117,000	(2,832)	114,168	(73,692)	40,476
Depreciation	-	-	-	289,331	289,331
Contingency	100,000	(100,000)	-	-	-
Total expenses	1,237,929	(295,377)	942,552	(8,630)	933,922
Excess (deficiency) of revenues over (under) expenses	(237,311)	350,749	113,438	8,630	122,068
OTHER FINANCING SOURCES (USES)					
Transfers out	(430,000)	-	(430,000)	-	(430,000)
Change in net position	(667,311)	350,749	(316,562)	8,630	(307,932)
Net position - beginning	1,789,683	240,853	2,030,536	4,902,322	6,932,858
Net position - ending	<u>\$ 1,122,372</u>	<u>\$ 591,602</u>	<u>\$ 1,713,974</u>	<u>\$ 4,910,952</u>	<u>\$ 6,624,926</u>

CITY OF VENETA
Lane County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

SEWER CAPITAL CONSTRUCTION FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
System development charges	\$ 82,020	\$ 118,734	\$ 200,754	\$ -	\$ 200,754
Investment earnings	<u>11,140</u>	<u>4,277</u>	<u>15,417</u>	<u>(1,883)</u>	<u>13,534</u>
Total revenues	<u>93,160</u>	<u>123,011</u>	<u>216,171</u>	<u>(1,883)</u>	<u>214,288</u>
EXPENSES					
Current					
Materials and services	34,000	-	34,000	-	34,000
Capital outlay	174,000	-	174,000	-	174,000
Debt service	<u>161,000</u>	<u>(3,612)</u>	<u>157,388</u>	<u>(34,753)</u>	<u>122,635</u>
Total expenses	<u>369,000</u>	<u>(3,612)</u>	<u>365,388</u>	<u>(34,753)</u>	<u>330,635</u>
Excess (deficiency) of revenues over (under) expenses	(275,840)	126,623	(149,217)	32,870	(116,347)
Net position - beginning	<u>2,094,829</u>	<u>278,616</u>	<u>2,373,445</u>	<u>(242,034)</u>	<u>2,131,411</u>
Net position - ending	<u>\$ 1,818,989</u>	<u>\$ 405,239</u>	<u>\$ 2,224,228</u>	<u>\$ (209,164)</u>	<u>\$ 2,015,064</u>

CITY OF VENETA
Lane County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

WATER CAPITAL CONSTRUCTION FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
System development charges	\$ 93,810	\$ 121,028	\$ 214,838	\$ 214,838
Investment earnings	<u>2,008</u>	<u>(463)</u>	<u>1,545</u>	<u>1,545</u>
Total revenues	<u>95,818</u>	<u>120,565</u>	<u>216,383</u>	<u>216,383</u>
EXPENSES				
Current				
Materials and services	25	(25)	-	-
Debt service	<u>179,000</u>	<u>(18,359)</u>	<u>160,641</u>	<u>160,641</u>
Total expenses	<u>179,025</u>	<u>(18,384)</u>	<u>160,641</u>	<u>160,641</u>
Excess (deficiency) of revenues over (under) expenses	(83,207)	138,949	55,742	55,742
Net position - beginning	<u>117,873</u>	<u>119,955</u>	<u>237,828</u>	<u>237,828</u>
Net position - ending	<u>\$ 34,666</u>	<u>\$ 258,904</u>	<u>\$ 293,570</u>	<u>\$ 293,570</u>

CITY OF VENETA
Lane County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

ENTERPRISE RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Investment earnings	\$ 6,119	\$ 2,583	\$ 8,702
EXPENSES	-	-	-
Excess (deficiency) of revenues over (under) expenses	6,119	2,583	8,702
Net position - beginning	1,336,800	2,939	1,339,739
Net position - ending	\$ 1,342,919	\$ 5,522	\$ 1,348,441

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY FEDERAL AND STATE REGULATIONS**



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

City Council
City of Veneta
Veneta, Oregon 97487

We have audited the basic financial statements of the City of Veneta as of and for the year ended June 30, 2016, and have issued our report thereon dated December 19, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the 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 162-010-0000 through 162-010-0320 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Highway revenues used for public highways, roads, and streets

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as noted below:

1. The City had excess of expenditures over appropriations as follows:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Urban Renewal Agency - Debt Service	Debt Service	\$ 578,238	\$ 578,415	\$ 177

OAR 162-010-0230 Internal Control

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the city council and management of the 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.


 Accuity, LLC

December 19, 2016



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**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**

City Council
City of Veneta
Veneta, Oregon 97487

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Veneta as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Veneta's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Veneta's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the City violated Oregon Revised Statutes in awarding contracts, and had an excess of expenditures over appropriations in the Street Fund.

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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is stylized and cursive.

Accuity, LLC

Albany, Oregon
December 19, 2016