

**URBAN RENEWAL AGENCY OF THE  
CITY OF VENETA**

**(A Component Unit of the City of Veneta)**

**VENETA, OREGON**

**ANNUAL FINANCIAL REPORT**

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

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

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**  
**(A Component Unit of the City of Veneta)**

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

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**AGENCY OFFICIALS**

- SHARON HOBART . . . . . Chairman  
88145 9<sup>th</sup> Street, Veneta, Oregon 97487
- DARRELL L. CARMAN (Resigned December 31, 2010) . . . . . Member  
87689 Blek Drive, Veneta, Oregon 97487
- MARION M. ESTY . . . . . Member  
P.O. Box 969, Veneta, Oregon 97487
- SANDRA LARSON. . . . . Member  
25456 E. Hunter Road, Veneta, Oregon 97487
- T.J. BROOKER (Resigned December 31, 2010) . . . . . Member  
P.O. Box 655, Veneta, Oregon 97487
- THOMAS COTTER . . . . . Member  
88098 Huston Road, Veneta, Oregon 97487
- BRITTANY BOOTHE . . . . . Member  
24781 Dunham Avenue, Veneta, Oregon 97487

**AGENCY ADMINISTRATION**

- R. RIC INGHAM . . . . . City Administrator
- SHAUNA HARTZ . . . . . Finance Director

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

**(A Component Unit of the City of Veneta)**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Chairman and Members  
of the Urban Renewal Agency Board  
of the City of Veneta, Oregon

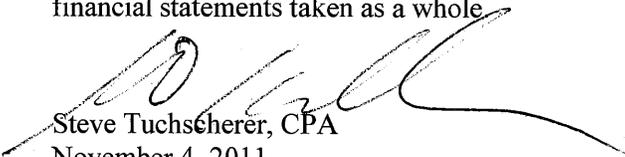
I have audited the accompanying financial statements of the governmental activities and each major fund of the Urban Renewal Agency of the City of Veneta, Oregon, (the Agency), a component unit of the City of Veneta, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Urban Renewal Agency of the City of Veneta, Oregon, as of June 30, 2011, and the respective budgetary comparisons for the General Fund and the Debt Service Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 5 and 21 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Urban Renewal Agency of the City of Veneta's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

  
Steve Tuchscherer, CPA  
November 4, 2011

171 NE Exchange Ave., Roseburg OR 97470

P 541-677-8100

F 541-464-8560

www.oregoncpas.com

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

# **URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

**(A Component Unit of the City of Veneta)**

## **MANAGEMENT'S DISCUSSION and ANALYSIS**

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The management of the Veneta Urban Renewal Agency (Agency), a component unit of the City of Veneta, Oregon presents this narrative overview and analysis to facilitate both a short and a long-term analysis of the financial activities of the Agency for the fiscal year ended June 30, 2011. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

The Agency's financial statements contained in this Annual Financial Report can be divided into the following three categories:

1. **Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. That is, it combines the financial information from both of the Agency's operating funds.
  - a) **Statement of Net Assets** This statement presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Agency's financial position is improving or deteriorating.
  - b) **Statement of Activities** This statement presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. An example of such items would be earned, but uncollected, property taxes.

For more explanation of these reports, please refer to NOTES TO THE BASIC FINANCIAL STATEMENTS Section 1. (B), (C) and (I).

2. **Fund Financial Statements.** The fund financial statements are designed to provide readers with a picture of the transactions for a specific activity or objective. These statements have always appeared in the Agency's Annual Report. The Agency has two funds; both of them are considered governmental-type funds.
3. **Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with the statements.

# **URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

(A Component Unit of the City of Veneta)

## **MANAGEMENT'S DISCUSSION and ANALYSIS**

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### Government-wide Financial Analysis

At June 30, 2010, Agency liabilities exceeded assets by \$405,327. The excess continued through the fiscal year ending June 30, 2011, with liabilities exceeding assets by \$1,175,992. This circumstance is due to the indirect investment by the Agency into the capital assets of the City of Veneta's West Broadway Redevelopment Project. These assets are not available for future spending nor can they be used to liquidate the liabilities of the Agency. Therefore, future property tax collections will be the key resource for retiring the debt.

A comparison of the Statement of Net Assets for the fiscal years ending June 30, 2011 and June 30, 2010 appears below.

	<u>June 2011</u>	<u>June 2010</u>	<u>Change</u>	<u>%</u>
<b><u>Assets</u></b>				
Cash and investments	\$ 930,086	\$ 2,141,923	\$ (1,211,837)	-56.6%
Property Taxes Receivable	41,369	41,325	44	0.11%
Total Assets	971,455	2,183,248	(1,211,793)	-55.50%
<b><u>Liabilities</u></b>				
Accounts Payable	5,932	296,738	(290,806)	-98.00%
Accrued Interest	37,049	36,837	212	0.58%
Bonds Payable:				
Due within One Year	165,000	155,000	10,000	6.45%
Due after One Year	1,935,000	2,100,000	(165,000)	-7.86%
Total Liabilities	2,142,981	2,588,575	(445,594)	-17.21%
<b><u>Net Assets</u></b>				
Restricted for Capital Projects	616,835	1,298,834	(681,999)	-52.51%
Restricted for Debt Service	307,319	546,351	(239,032)	-43.75%
Unrestricted	(2,100,146)	(2,250,512)	150,366	6.68%
Total Net Assets	\$ (1,175,992)	\$ (405,327)	\$ (770,665)	-190.1%

# **URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

(A Component Unit of the City of Veneta)

## **MANAGEMENT'S DISCUSSION and ANALYSIS**

A comparison of the Statement of Activities for the fiscal years ending June 30, 2011 and June 30, 2010 appears below.

	<u>June 2011</u>	<u>June 2010</u>	<u>Change</u>	<u>%</u>
<u>Revenues</u>				
Property Taxes	\$ 637,080	\$ 651,256	\$ (14,176)	-2.2%
Investment Earnings	2,857	12,155	(9,298)	-76.5%
Total Revenues	<u>639,937</u>	<u>663,411</u>	<u>(23,474)</u>	<u>-3.5%</u>
<u>Expenses</u>				
Current Operating:				
General Government	21,792	24,186	(2,394)	-9.9%
Debt Service:				
Interest and Fees on Debt	<u>123,757</u>	<u>128,362</u>	<u>(4,605)</u>	<u>-3.6%</u>
Total Expenses	<u>145,549</u>	<u>152,548</u>	<u>(6,999)</u>	<u>-4.6%</u>
Excess / (Deficiency)				
of Revenue vs. Expense	494,388	510,863	(16,475)	-3.2%
<u>Other Financing Sources / (Uses)</u>				
Transfer to City of Veneta	<u>(1,265,053)</u>	<u>(591,604)</u>	<u>(673,449)</u>	<u>113.8%</u>
Change in Net Assets	(770,665)	(80,741)	(689,924)	854.5%
Net Assets, Beginning of Year	<u>(405,327)</u>	<u>(324,586)</u>	<u>(80,741)</u>	<u>24.9%</u>
Net Assets, End of Year	<u>\$ (1,175,992)</u>	<u>\$ (405,327)</u>	<u>\$ (770,665)</u>	<u>-190.1%</u>

### Fund-based Financial Analysis

For the fiscal year ending June 30, 2011, the Agency's governmental funds reported a combined ending fund balance of \$924,154, a decrease of \$921,031 from June 30, 2010.

The Urban Renewal General Fund ended the period with a fund balance of \$616,835. As a measure of the General Fund's liquidity, the fund balance substantially exceeds the regular expenditures of \$21,365. The ending fund balance in the Debt Service Fund was \$239,032 less than the balance at June 30, 2010; however, the balance of \$307,319 is enough to cover the fiscal year 2011-12 debt obligation payments.

### General Fund Budgetary Highlights

For the year ended June 30, 2011, expenditures were less than the amount budgeted largely due to the postponement of creating a re-development toolkit. Interest revenue continues to be lower than in previous years.

# **URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

**(A Component Unit of the City of Veneta)**

## **MANAGEMENT'S DISCUSSION and ANALYSIS**

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### Capital Asset and Debt Administration

The Agency does not have any capital or infrastructure assets. The Agency authorized a du jour loan during the reporting period to acquire resources for the West Broadway Redevelopment project. This debt was incurred and retired within the fiscal year ending June 30, 2011. Information on the Agency's long-term debt, a bond issued in 2001, can be found in the NOTES TO THE BASIC FINANCIAL STATEMENTS Item #4.

### Future Agency Activities

In the upcoming year, the Agency will provide funding for a variety of projects in continued support of economic development in the City of Veneta, including engineering of improvements to the Territorial Highway "Streetscape", and development of the Fern Ridge Service Center.

### Requests for Information

This report is designed to provide a general overview of the Agency's finances for all persons with an interest in the Agency's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Shauna Hartz, Finance Director  
City of Veneta  
P.O. Box 458  
Veneta, Oregon 97487

**BASIC FINANCIAL**  
**STATEMENTS**

**GOVERNMENT-WIDE**  
**FINANCIAL STATEMENTS**

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

(A Component Unit of the City of Veneta)

**STATEMENT OF NET ASSETS**

**June 30, 2011**

	<b>Governmental Activities</b>
<b><u>ASSETS:</u></b>	
Current Assets:	
Cash and Investments	\$ 930,086
Property Taxes Receivable	41,369
<b>Total Assets</b>	<b>\$ 971,455</b>
<b><u>LIABILITIES:</u></b>	
Current Liabilities:	
Accounts Payable	\$ 5,932
Interest Payable	37,049
Current Portion of Long-Term Liabilities:	
General Obligation Bonds	165,000
Total Current Liabilities	207,981
Long-Term Liabilities:	
Noncurrent Portion of Long-Term Liabilities:	
General Obligation Bonds	1,935,000
Total Long-Term Liabilities	1,935,000
<b>Total Liabilities</b>	<b>\$ 2,142,981</b>
<b><u>NET ASSETS:</u></b>	
Restricted for:	
Capital Projects	616,835
Debt Service	307,319
Unrestricted	(2,095,680)
<b>Total Net Assets</b>	<b>\$ (1,171,526)</b>

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

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

(A Component Unit of the City of Veneta)

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2011

<u>Functions / Programs</u>	<u>(Expenses)</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>					
General Government	\$ 21,792	\$ -	\$ -	\$ -	\$ (21,792)
Interest on Long-Term Debt	123,757	-	-	-	(123,757)
<b>Total Governmental Activities</b>	<b>\$ 145,549</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (145,549)</b>

**GENERAL REVENUES:**

Taxes	
Property Taxes, Levied for Debt Service	637,124
Interest and Investment Earnings	7,279
Transfer of Capital Assets to Primary Government	(1,265,053)
<b>Subtotal - General Revenues</b>	<b>(620,650)</b>
Change in Net Assets	(766,199)
Net Assets, July 1, 2010	(405,327)
<b>Net Assets, June 30, 2011</b>	<b><u><u>\$(1,171,526)</u></u></b>

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

**FUND**

**FINANCIAL STATEMENTS**

# URBAN RENEWAL AGENCY OF THE CITY OF VENETA

(A Component Unit of the City of Veneta)

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2011

	<u>Urban Renewal General Fund</u>	<u>Urban Renewal Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS:</u></b>			
Cash and Investments	\$ 622,767	\$ 307,319	\$ 930,086
Property Taxes Receivable	-	41,369	41,369
<b>Total Assets</b>	<b>\$ 622,767</b>	<b>\$ 348,688</b>	<b>\$ 971,455</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>			
Liabilities:			
Accounts Payable	\$ 5,932	\$ -	\$ 5,932
Deferred Revenue	-	41,369	41,369
<b>Total Liabilities</b>	<b>5,932</b>	<b>41,369</b>	<b>47,301</b>
Fund Balances:			
Restricted for:			
Capital Projects	616,835	-	616,835
Debt Service	-	307,319	307,319
<b>Total Fund Balances</b>	<b>616,835</b>	<b>307,319</b>	<b>924,154</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 622,767</b>	<b>\$ 348,688</b>	<b>\$ 971,455</b>

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

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

(A Component Unit of the City of Veneta)

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

June 30, 2011

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**Total Fund Balances - Governmental Funds** **\$ 924,154**

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

Property taxes receivables not collected within 60 days of the  
current period ending date are deferred in the governmental funds. 41,369

Interest payable that is not recognized in the governmental fund is  
accrued in the Statement of Net Assets. (37,049)

Long-term liabilities, including bonds payable, are not due and  
payable in the current period and therefore are not reported  
in the governmental funds. (2,100,000)

**Net Assets of Governmental Activities** **\$ (1,171,526)**

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

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

(A Component Unit of the City of Veneta)

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

For The Fiscal Year Ended June 30, 2011

	<b>Urban Renewal General Fund</b>	<b>Urban Renewal Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES:</u></b>			
Taxes	\$ -	\$ 637,080	\$ 637,080
Interest and Investment Earnings	4,421	2,858	7,279
<b>Total Revenues</b>	<b>4,421</b>	<b>639,938</b>	<b>644,359</b>
<b><u>EXPENDITURES:</u></b>			
Current Operating			
General Government	21,367	-	21,367
Debt Service			
Principal	-	755,000	755,000
Interest	-	123,545	123,545
Fees	-	425	425
<b>Total Expenditures</b>	<b>21,367</b>	<b>878,970</b>	<b>900,337</b>
Excess (Deficiency) of Revenues Over Expenditures	(16,946)	(239,032)	(255,978)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Interfund Transfers In	-	-	-
Interfund Transfers (Out)	(1,265,053)	-	(1,265,053)
Loan Proceeds	600,000	-	600,000
<b>Total Other Financing sources (uses)</b>	<b>(665,053)</b>	<b>-</b>	<b>(665,053)</b>
Net Change in Fund Balances	(681,999)	(239,032)	(921,031)
FUND BALANCES, July 1, 2010	1,298,834	546,351	1,845,185
<b>FUND BALANCES, June 30, 2011</b>	<b>\$ 616,835</b>	<b>\$ 307,319</b>	<b>\$ 924,154</b>

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

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

(A Component Unit of the City of Veneta)

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

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

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**Net changes in fund balances - total governmental funds** **\$ (921,031)**

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

Some revenues will not be collected for several months after the City's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue. However, these funds are recorded as revenue in the Statement of Activities.

The changes in amounts deferred are as follows:

Property Taxes	44
----------------	----

The change in interest payables from prior to current year is reconciled here: (212)

Repayment of long-term debt principal amounts are expenditures in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Assets.

Retirement of debt principal is as follows:

General Obligations Bonds	155,000
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<b>Changes in net assets of governmental assets</b>	<b>\$ (766,199)</b>
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The accompanying notes to the basic financial statements are an integral part of this statement.

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**  
**(A Component Unit of the City of Veneta)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2011

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

A. Reporting Entity

The Urban Renewal Agency of the City of Veneta, Oregon (Agency) was established on January 28, 1985. The Agency is organized under general laws pertaining to urban renewal agencies in the State of Oregon. The governing body is comprised of the Mayor and the City Council of the City of Veneta.

The Agency is a separate legal entity, governed by the City of Veneta. The City Council has the ability to impose its will over the Agency as determined on the basis of budget adoption, taxing authority and funding for the Agency. Therefore, under the criteria set by the Governmental Accounting Standards Board, the Agency is considered a component unit of the City of Veneta and the Agency's financial activities are included as a blended component unit in the basic financial statements of the City of Veneta.

Although a component unit of the City of Veneta, the Agency exists and operates separately from the City of Veneta. Accordingly, the Agency's financial statements will also be included in the financial statements of the City of Veneta.

The Agency has no potential component units.

B. Basis of Presentation

The financial statements of the Urban Renewal Agency (Agency) of the City of Veneta have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Basic financial statements are presented at both the government-wide and fund financial level. The Agency's activities are governmental and are normally supported by taxes and intergovernmental revenues.

*Government-wide financial statements* display information about the reporting government as a whole. The effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. The Agency has only governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**  
**(A Component Unit of the City of Veneta)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2011

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

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

The financial transactions of the Agency are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB 34 model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Agency has elected to report each of its funds as major funds in order to assist in compiling a complete and accurate picture of the financial position of the Agency.

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

Debt Service Fund - Accounts for the accumulation of resources and payment of principal and interest on the Urban Renewal Bonds. The principal sources of revenue are tax increment revenues and interest earnings.

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

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

The Government-wide Financial Statements are presented on a *full accrual* basis of accounting with an *economic resource* measurement focus. An economic resource focus concentrates on entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resource measurement focus is directly connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the timing of related cash flows takes place.

Governmental Funds Financial Statements are presented on a *modified accrual* basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual 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 Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenues susceptible to accrual in this manner are property taxes and intergovernmental revenues received within the 60-day period following the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

A deferred revenue liability arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* deferred revenue consists primarily of uncollected property taxes and outstanding loans receivable not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**  
**(A Component Unit of the City of Veneta)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2011

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

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

be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable deferred revenue is eliminated. Note that deferred revenues also arise outside the scope of measurement focus and basis of accounting, such as when the Agency receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Agency's practice to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Investments

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

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

The Oregon State Treasury administers the LGIP. It is an open-ended, non-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**  
**(A Component Unit of the City of Veneta)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2011

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

E. Property Taxes

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

F. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables". All other outstanding balances between funds are reported as "due to/from other funds."

G. Capital Assets

All capital assets which include property and infrastructure assets (e.g. roads, bridges, sidewalks, etc.) become City of Veneta (primary government) capital assets and therefore are not reported on the Agency's Statement of Net Assets. The Agency's negative net assets are a result of this reporting.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Deferred Revenue

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

J. Restricted Assets and Liabilities

Certain resources are set aside and restricted for future bond payments and the related liability. They are segregated in the statements of net assets and are classified as restricted assets on the Statement of Net Assets because their use is limited. For the fiscal year ended June 30, 2011 the Agency had \$307,319 in restricted assets for debt service and in the general fund, \$616,835 of restricted assets for capital projects.

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**  
**(A Component Unit of the City of Veneta)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2011

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

**K. Equity Classifications**

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

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

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

**Fund Financial Statements**

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

- **Nonspendable:** This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City did not have any nonspendable resources as of June 30, 2011.
- **Restricted:** This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has restricted funds for various projects that are to be used for governmental purposes.
- **Committed:** This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision making authority, the Agency Board, and does not lapse at year-end. The City did not have any committed resources as of June 30, 2011.
- **Assigned:** This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Agency Board delegating this responsibility to selected staff members or through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned:** This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

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

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**  
**(A Component Unit of the City of Veneta)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2011

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

L. Use of Estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 -Local Budget Law). The Agency is required to budget all funds. The budget is prepared for each fund on the modified accrual basis of accounting. For all fund types, inter-fund loans are budgeted as sources and uses in accordance with state budget laws. Estimated receipts and expenditures are budgeted for by fund and object. Information on the past two years' actual receipts and expenditures and current-year estimates are included in the budget document. The process under which the budget is adopted is described in the following paragraphs.

In early spring a preliminary budget calendar, budget preparation manual and budget worksheets are distributed to appropriate department directors. The City Administrator (Agency Director) and the Finance Director develop a proposed budget, after which the Agency Director publishes two notices of Budget Committee meetings. No less than five days, or more than thirty days after the notices are published, the Budget Committee (consisting of the Agency Board 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 Agency's financial position.

The Budget Committee conducts 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 Agency Director originally. The Budget Committee then submits the approved budget to the Agency Board for final adoption. The approved expenditures for each fund may not be increased by more than 10% by the board without returning to the Budget Committee for a second approval. After the board adopts the budget and certifies the total of ad valorem taxes to be levied, as approved by the budget committee, no additional tax levy may be made for that fiscal year.

The Agency Board legally adopts the budget by 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. personal services, materials and services, capital outlay, and other expenditures). Appropriations lapse at the end of the year.

The Agency Board may change the budget throughout the year by resolution and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the board. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year.

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

**(A Component Unit of the City of Veneta)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2011

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**3. CASH AND INVESTMENTS:**

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

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

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

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

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

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

As of June 30, 2011, the reported amount of the Agency's deposits was \$861,528 and the bank balance was \$862,228. Of the bank balance, the entire amount was covered by federal depository insurance or by pledged securities with the qualifying depository banks.

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

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. As of June 30, 2011, the Agency's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2011, the Agency's investments in financial institutions were exposed to custodial credit risk as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Oregon State Treasurer's Local Government Investment Pool (LGIP)	\$ 66,190	N/A
Total Investments	<u>\$ 66,190</u>	

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

**(A Component Unit of the City of Veneta)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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

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

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

**4. LONG TERM DEBT:**

In December 2000, the governing body passed a resolution authorizing the issuance of Urban Renewal Bonds, Series 2001, in the amount of \$3,360,000. Proceeds from this bond issue were used to finance the costs of various urban renewal projects within Veneta Urban Renewal District. These bonds mature serially through June 30, 2021 and carry interest rates that range between 3.9% and 5.675%.

The following is a summary of the Agency's long-term debt transactions for the year ended June 30, 2011:

	<u>Outstanding Balance July 1, 2010</u>	<u>New Issues and Interest Matured</u>	<u>Principal and Interest Retired</u>	<u>Outstanding Balance June 30, 2011</u>	<u>Due Within One Year</u>
Urban Renewal Bonds, Series 2001 issued for the purpose of financing various urban renewal projects					
Original Balance: \$3,360,000					
Dated: December 2000					
Interest Rate: Varies 3.90% - 5.675%					
Principal	\$2,255,000	\$ -	\$ 155,000	\$ 2,100,000	\$ 165,000
Interest	-	123,445	123,445	-	115,850
Totals	<u>\$2,255,000</u>	<u>\$ 123,445</u>	<u>\$ 278,445</u>	<u>\$ 2,100,000</u>	<u>\$ 280,850</u>

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

**(A Component Unit of the City of Veneta)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2011

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The annual future requirements to amortize debt at June 30, 2011, including principal and interest are as follows:

	Fiscal Year Ended	Total Payment	Principal	Interest
Urban Renewal Bonds, Series 2001 issued to finance various urban renewal projects - Original Balance \$3,360,000	2012	280,850	165,000	115,850
	2013	281,981	175,000	106,981
	2014	277,575	180,000	97,575
	2015	277,900	190,000	87,900
	2016	277,688	200,000	77,688
	2017-2021	1,397,844	1,190,000	207,844

**5. RISK MANAGEMENT:**

The Agency 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 Agency carries commercial insurance. There has been no significant reduction in insurance coverage from the prior years and the Agency has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years. The Agency's insurance is provided in combination with the City of Veneta.

**6. DEFERRED REVENUE:**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds and proprietary funds report deferred revenue in connection with resources that have been received but not yet earned. At June 30, 2011, the various components of deferred revenue consist of the following:

	<b>Urban Renewal Debt Service Fund</b>
Property Taxes	\$ 41,369
Total	<u>\$ 41,369</u>

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

# URBAN RENEWAL AGENCY OF THE CITY OF VENETA

(A Component Unit of the City of Veneta)

## URBAN RENEWAL GENERAL FUND

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

For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Positive (Negative)
<b><u>REVENUES:</u></b>				
Investment Revenue	\$ 4,473	\$ 4,473	\$ 4,421	\$ (52)
<b>Total Revenues</b>	4,473	4,473	4,421	(52)
<b><u>EXPENDITURES:</u></b>				
Materials and Services	50,900	50,900	21,367	(29,533)
Contingency	20,000	20,000	-	(20,000)
<b>Total Expenditures</b>	70,900	70,900	21,367	(49,533)
Excess (Deficiency) of Revenues over Expenditures	(66,427)	(66,427)	(16,946)	49,481
<b><u>OTHER FINANCING SOURCES / (USES):</u></b>				
Operating Transfer In	-	-	-	-
Operating Transfer (Out)	(1,385,329)	(1,385,329)	(1,265,053)	120,276
Loan Proceeds	600,000	600,000	600,000	-
<b>Total Other Financing Sources (Uses)</b>	(785,329)	(785,329)	(665,053)	120,276
Net Change In Fund Balance	(851,756)	(851,756)	(681,999)	169,757
<b>Fund Balance - July 1, 2010</b>	894,512	894,512	1,298,834	404,322
<b>Fund Balance - June 30, 2011</b>	<b>\$ 42,756</b>	<b>\$ 42,756</b>	<b>\$ 616,835</b>	<b>\$ 574,079</b>

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

# **URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

(A Component Unit of the City of Veneta)

## **URBAN RENEWAL DEBT SERVICE FUND**

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

For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Positive (Negative)
<b><u>REVENUES:</u></b>				
Taxes	\$ 625,011	\$ 625,011	\$ 637,080	\$ 12,069
Investment Revenue	2,716	2,716	2,858	142
<b>Total Revenues</b>	<b>627,727</b>	<b>627,727</b>	<b>639,938</b>	<b>12,211</b>
<b><u>EXPENDITURES:</u></b>				
Debt Service				
Principal	755,000	755,000	755,000	-
Interest	123,795	123,795	123,545	(250)
Fees	450	450	425	(25)
Contingency	2,500	2,500	-	(2,500)
<b>Total Expenditures</b>	<b>881,745</b>	<b>881,745</b>	<b>878,970</b>	<b>(2,775)</b>
Net Change In Fund Balance	(254,018)	(254,018)	(239,032)	14,986
<b>Fund Balance - July 1, 2010</b>	<b>543,246</b>	<b>543,246</b>	<b>546,351</b>	<b>3,105</b>
<b>Fund Balance - June 30, 2011</b>	<b>\$ 289,228</b>	<b>\$ 289,228</b>	<b>\$ 307,319</b>	<b>\$ 18,091</b>

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

**ADDITIONAL**  
**SUPPORTING**  
**SCHEDULES**

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**

**(A Component Unit of the City of Veneta)**

**SCHEDULE OF PROPERTY TAXES**

**For The Fiscal Year Ended June 31, 2011**

	Uncollected Balance July 1, 2010	Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2011
2010-11	\$ 655,130	\$ (18,036)	\$ 618,190	\$ 18,904
2009-10	22,373	(962)	11,232	10,179
2008-09	9,330	(654)	3,494	5,182
2007-08	3,845	(178)	2,009	1,659
2006-07	1,255	(62)	651	542
2005-06	464	210	294	380
2004-05 & Prior	4,058	(18)	79	3,961
<b>Total Property Taxes</b>	<b>\$ 696,455</b>	<b>\$ (19,700)</b>	<b>\$ 635,949</b>	<b>\$ 40,807</b>
Less Accrued Revenue - June 30, 2010			(1,219)	
Add Accrued Revenue - June 30, 2011			2,350	
<b>Total Property Tax Revenue</b>			<b>\$ 637,080</b>	
Current Year Property Tax Revenues:	Prior	Current	Total	
Urban Renewal Debt Service Fund	\$ 22,519	\$ 614,561	\$ 637,080	
<b>TOTALS</b>	<b>\$ 22,519</b>	<b>\$ 614,561</b>	<b>\$ 637,080</b>	

**INDEPENDENT AUDITOR'S**  
**COMMENTS AND DISCLOSURES**  
**REQUIRED BY**  
**STATE REGULATION**

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**  
**AUDIT COMMENTS AND DISCLOSURES**  
**REQUIRED BY STATE REGULATION**  
**As of June 30, 2011**

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To the Governing Body of the Urban Renewal Agency of the City of Veneta  
Veneta, Oregon

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

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

**ACCOUNTING RECORDS AND INTERNAL CONTROL:**

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

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

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

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

**COLLATERAL:**

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

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

**URBAN RENEWAL AGENCY OF THE CITY OF VENETA**  
**AUDIT COMMENTS AND DISCLOSURES**  
**REQUIRED BY STATE REGULATION (Continued)**  
**As of June 30, 2011**

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**INDEBTEDNESS:**

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

**BUDGET:**

Minutes, ordinances and resolutions of the Agency were reviewed for compliance of Oregon Budget Law in preparation, adoption and execution of the current year's budget and preparation and adoption of the ensuing year's budget. I found no instances of non-compliance of Oregon Budget Law by the Agency for the 2010-11 fiscal year or in preparation and adoption of the 2011-12 budget.

**INVESTMENTS:**

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

**INSURANCE AND FIDELITY BONDS:**

I have examined the Agency's fidelity bonds and insurance coverage's at June 30, 2011 and ascertained that such policies appeared to be in force as of that date and appeared to comply with the legal requirements. I recommend periodic review of insurance by qualified individuals, as I do not possess expertise in this area.

**PUBLIC CONTRACTING:**

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

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

This statement is not applicable to the Agency.

This report is intended solely for the information of the State of Oregon, Secretary of State, Division of Audits and other state agencies and is not intended and should not be used by anyone other than these specified parties.

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

Roseburg, Oregon  
November 4, 2011