

**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, 2010

STEVE TUCHSCHERER
Certified Public Accountant
A Professional Corporation

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

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AUDIT REPORT

JUNE 30, 2010

AGENCY OFFICIALS

SHARON HOBART-HARDIN 88145 9 th Street, Veneta, Oregon 97487	Chairman
DARRELL L. CARMAN 87689 Blek Drive, Veneta, Oregon 97487	Member
MARION M. ESTY P.O. Box 969, Veneta, Oregon 97487	Member
SANDRA LARSON. 25456 E. Hunter Road, Veneta, Oregon 97487	Member
T.J. BOOKER PO Box 655, Veneta, Oregon 97487	Member

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, 2010

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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, 2010, 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. 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, 2010, 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.

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it. 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 basic 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 supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 basic financial statements taken as a whole.

Steve Tuchscherer, CPA
November 17, 2010

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

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, 2010. 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

Government-wide Financial Analysis

At June 30, 2009, Agency liabilities exceeded assets by \$324,586. The excess continued through the fiscal year ending June 30, 2010, with liabilities exceeding assets by \$405,327. This circumstance is due to the indirect investment by the Urban Renewal Agency into the capital assets of the City of Veneta's water system. 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, 2010 and June 30, 2009 appears below.

	<u>June 2010</u>	<u>June 2009</u>	<u>Change</u>	<u>%</u>
<u>Assets</u>				
Cash and investments	\$ 2,141,923	\$ 2,134,732	\$ 7,191	0.3%
Property Taxes Receivable	<u>41,325</u>	<u>35,718</u>	<u>5,607</u>	<u>15.7%</u>
Total Assets	<u>2,183,248</u>	<u>2,170,450</u>	<u>12,798</u>	<u>0.6%</u>
<u>Liabilities</u>				
Accounts Payable	296,738	50,750	245,988	484.7%
Accrued Interest	36,837	39,287	(2,450)	-6.2%
Bonds Payable:				
Due within One Year	155,000	150,000	5,000	3.3%
Due after One Year	<u>2,100,000</u>	<u>2,255,000</u>	<u>(155,000)</u>	<u>-6.9%</u>
Total Liabilities	<u>2,588,575</u>	<u>2,495,037</u>	<u>93,538</u>	<u>3.7%</u>
<u>Net Assets</u>				
Restricted for Capital Projects	1,298,834	905,289	393,545	N/A
Restricted for Debt Service	546,351	1,178,692	(632,341)	-53.6%
Unrestricted	<u>(2,250,512)</u>	<u>(2,408,567)</u>	<u>158,055</u>	<u>-6.6%</u>
Total Net Assets	<u>\$ (405,327)</u>	<u>\$ (324,586)</u>	<u>\$ (80,741)</u>	<u>-24.9%</u>

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, 2010 and June 30, 2009 appears below.

	<u>June 2010</u>	<u>June 2009</u>	<u>Change</u>	<u>%</u>
<u>Revenues</u>				
Property Taxes	\$ 651,256	\$ 611,941	\$ 39,315	6.4%
Investment Earnings	<u>12,155</u>	<u>41,005</u>	<u>(28,850)</u>	<u>-70.4%</u>
Total Revenues	<u>663,411</u>	<u>652,946</u>	<u>10,465</u>	<u>1.6%</u>
<u>Expenses</u>				
Current Operating:				
General Government	24,186	29,519	(5,333)	-18.1%
Debt Service:				
Interest and Fees on Debt	<u>128,362</u>	<u>136,336</u>	<u>(7,974)</u>	<u>-5.8%</u>
Total Expenses	<u>152,548</u>	<u>165,855</u>	<u>(13,307)</u>	<u>-8.0%</u>
Excess / (Deficiency) of Revenue vs. Expense	510,863	487,091	23,772	4.9%
<u>Other Financing Sources / (Uses)</u>				
Transfer to City of Veneta	<u>(591,604)</u>	<u>(437,851)</u>	<u>(153,753)</u>	<u>35.1%</u>
Change in Net Assets	(80,741)	49,240	(129,981)	-264.0%
Net Assets, Beginning of Year	<u>(324,586)</u>	<u>(373,826)</u>	<u>49,240</u>	<u>-13.2%</u>
Net Assets, End of Year	<u>\$ (405,327)</u>	<u>\$ (324,586)</u>	<u>\$ (80,741)</u>	<u>-24.9%</u>

Fund-based Financial Analysis

For the fiscal year ending June 30, 2010, the Agency's governmental funds reported a combined ending fund balance of \$1,845,185, a decrease of \$238,796 from June 30, 2009.

The Urban Renewal General Fund ended the period with an unreserved fund balance of \$1,298,834. As a measure of the General Fund's liquidity, the fund balance substantially exceeds the regular expenditures of \$23,761.

URBAN RENEWAL AGENCY OF THE CITY OF VENETA

(A Component Unit of the City of Veneta)

MANAGEMENT'S DISCUSSION and ANALYSIS

General Fund Budgetary Highlights

For the year ended June 30, 2010, there were no significant variations between the adopted budget and actual operations. As a whole, the Agency experienced a 70% decrease in interest revenue due to the continued disruption in the national financial markets. The General Fund fell short of its anticipated earnings by \$8,171.

Capital Asset and Debt Administration

The Agency does not have any capital or infrastructure assets. The Agency authorized its second du jour loan during the reporting period to acquire resources for the West Broadway Development project. This debt was incurred and retired within the fiscal year ending June 30, 2010. For information on the existing debt of the Agency, see NOTES TO THE BASIC FINANCIAL STATEMENTS Section 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.

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, 2010

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Investments	\$ 2,141,923
Property Taxes Receivable	41,325
Total Assets	\$ 2,183,248
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 296,738
Interest Payable	36,837
Current Portion of Long-Term Liabilities:	
General Obligation Bonds	155,000
Total Current Liabilities	488,575
Long-Term Liabilities:	
Noncurrent Portion of Long-Term Liabilities:	
General Obligation Bonds	2,100,000
Total Long-Term Liabilities	2,100,000
Total Liabilities	\$ 2,588,575
NET ASSETS	
Restricted for:	
Capital Projects	1,298,834
Debt Service	546,351
Unrestricted	(2,250,512)
Total Net Assets	\$ (405,327)

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, 2010

<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>	
Governmental Activities:					
General Government	\$ 24,186	\$ -	\$ -	\$ -	\$ (24,186)
Interest on Long-Term Debt	128,362	-	-	-	(128,362)
Total Governmental Activities	\$ 152,548	\$ -	\$ -	\$ -	\$ (152,548)

General Revenues:

Taxes

Property Taxes, Levied for Debt Service	651,256
Interest and Investment Earnings	12,155
Transfer of Capital Assets to Primary Government	(591,604)
Subtotal - General Revenues	71,807
Change in Net Assets	(80,741)
Net Assets, July 1, 2009	(324,586)
Net Assets, June 30, 2010	\$ (405,327)

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)

BALANCE SHEET

Governmental Funds

June 30, 2010

	<u>Urban Renewal General Fund</u>	<u>Urban Renewal Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 1,595,572	\$ 546,351	\$ 2,141,923
Property Taxes Receivable	-	41,325	41,325
Total Assets	\$ 1,595,572	\$ 587,676	\$ 2,183,248
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 296,738	\$ -	\$ 296,738
Deferred Revenue	-	41,325	41,325
Total Liabilities	296,738	41,325	338,063
Fund Balances:			
Reserved for:			
Capital Projects	1,298,834	-	1,298,834
Debt Service	-	546,351	546,351
Total Fund Balances	1,298,834	546,351	1,845,185
Total Liabilities & Fund Balances	\$ 1,595,572	\$ 587,676	\$ 2,183,248

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, 2010

Total Fund Balances - Governmental Funds	\$ 1,845,185
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**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.	41,325
Interest payable that is not recognized in the governmental fund is accrued in the Statement of Net Assets.	(36,837)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(2,255,000)</u>

Net Assets of Governmental Activities	<u><u>\$ (405,327)</u></u>
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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)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

Governmental Funds

For The Fiscal Year Ended June 30, 2010

	Urban Renewal General Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes	\$ -	\$ 645,651	\$ 645,651
Interest and Investment Earnings	8,910	3,245	12,155
Total Revenues	8,910	648,896	657,806
EXPENDITURES:			
Current Operating			
General Government	23,761	-	23,761
Debt Service			
Principal	-	1,150,000	1,150,000
Interest	-	130,812	130,812
Fees	-	425	425
Total Expenditures	23,761	1,281,237	1,304,998
Excess (Deficiency) of Revenues Over Expenditures	(14,851)	(632,341)	(647,192)
OTHER FINANCING SOURCES (USES):			
Interfund Transfers In	-	-	-
Interfund Transfers (Out)	(591,604)	-	(591,604)
Loan Proceeds	1,000,000	-	1,000,000
Total Other Financing sources (uses)	408,396	-	408,396
Net Change in Fund Balances	393,545	(632,341)	(238,796)
FUND BALANCES, July 1, 2009	905,289	1,178,692	2,083,981
FUND BALANCES, June 30, 2010	\$ 1,298,834	\$ 546,351	\$ 1,845,185

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, 2010

Net changes in fund balances - total governmental funds **\$ (238,796)**

**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	5,605
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The change in interest payables from prior to current year is reconciled here:	2,450
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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	150,000
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Changes in net assets of governmental assets	\$ (80,741)
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The accompanying notes to the basic financial statements are an integral part of this statement.

NOTES

TO THE BASIC

FINANCIAL 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, 2010

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, 2010

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, 2010

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, 2010

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, 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, 2010 the Agency had sinking funds for debt service of \$546,351 in restricted assets.

URBAN RENEWAL AGENCY OF THE CITY OF VENETA

(A Component Unit of the City of Veneta)

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

K. Equity Classifications

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

1. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
2. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010

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, 2010, the reported amount of the Agency's deposits was \$481,538 and the bank balance was \$481,538. 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, 2010, the Agency's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2010, 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)	\$ 1,659,182	N/A
Total Investments	<u>\$ 1,659,182</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, 2010

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, 2010:

	Outstanding Balance July 1, 2009	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2010	Due Within One Year
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	\$2,405,000	\$ -	\$ 150,000	\$ 2,255,000	\$ 155,000
Interest	-	130,645	130,645	-	123,445
Totals	\$2,405,000	\$ 130,645	\$ 280,645	\$ 2,255,000	\$ 278,445

The annual future requirements to amortize debt at June 30, 2010, 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				
	2011	\$ 278,445	\$ 155,000	\$ 123,445
	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
	2016-2020	1,395,625	1,125,000	270,625
	2021	279,906	265,000	14,906

URBAN RENEWAL AGENCY OF THE CITY OF VENETA

(A Component Unit of the City of Veneta)

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010, the various components of deferred revenue consist of the following:

	Urban Renewal Debt Service Fund
Property Taxes	\$ 41,325
Total	\$ 41,325

REQUIRED
SUPPLEMENTARY
INFORMATION

URBAN RENEWAL AGENCY OF THE CITY OF VENETA

(A COMPONENT UNIT OF THE CITY OF VENETA)

Urban Renewal General Fund

Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive
			(See Note 1)	(Negative)
<u>Revenues:</u>				
Investment Revenue	\$ 17,081	\$ 17,081	\$ 8,910	\$ (8,171)
Total Revenues	17,081	17,081	8,910	(8,171)
<u>Expenditures</u>				
Materials and Services	74,500	74,500	23,761	(50,739)
Contingency	20,000	20,000	-	(20,000)
Total Expenditures	94,500	94,500	23,761	(70,739)
Excess (Deficiency) of Revenues over Expenditures	(77,419)	(77,419)	(14,851)	62,568
<u>Other Financing Sources / (Uses)</u>				
Operating Transfer In	-	-	-	-
Operating Transfer (Out)	(1,778,228)	(1,778,228)	(591,604)	1,186,624
Loan Proceeds	1,000,000	1,000,000	1,000,000	-
Total Other Financing Sources (Uses)	(778,228)	(778,228)	408,396	1,186,624
Net Change In Fund Balance	(855,647)	(855,647)	393,545	1,249,192
Fund Balance - July 1, 2009	1,018,963	1,018,963	905,289	(113,674)
Fund Balance - June 30, 2010	\$ 163,316	\$ 163,316	\$ 1,298,834	\$ 1,135,518

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

Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive
			(See Note 1)	(Negative)
<u>Revenues:</u>				
Taxes	\$ 570,813	\$ 570,813	\$ 645,651	\$ 74,838
Investment Revenue	11,105	11,105	3,245	(7,860)
Total Revenues	581,918	581,918	648,896	66,978
<u>Expenditures</u>				
Debt Service				
Principal	1,151,000	1,151,000	1,150,000	(1,000)
Interest	130,645	130,645	130,812	167
Fees	500	500	425	(75)
Contingency	2,500	2,500	-	(2,500)
Total Expenditures	1,284,645	1,284,645	1,281,237	(3,408)
Excess (Deficiency) of Revenues over Expenditures	(702,727)	(702,727)	(632,341)	70,386
<u>Other Financing Sources / (Uses)</u>				
Operating Transfer In	-	-	-	-
Operating Transfer (Out)	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change In Fund Balance	(702,727)	(702,727)	(632,341)	70,386
Fund Balance - July 1, 2009	1,162,052	1,162,052	1,178,692	16,640
Fund Balance - June 30, 2010	\$ 459,325	\$ 459,325	\$ 546,351	\$ 87,026

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 30, 2010

	Uncollected Balance July 1, 2009	Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2010
2009-10	\$ 691,870	\$ (40,872)	\$ 628,625	\$ 22,373
2008-09	19,865	(449)	10,086	9,330
2007-08	7,017	(166)	3,006	3,845
2006-07	2,980	(88)	1,637	1,255
2005-06	1,169	(74)	631	464
2004-05 & PRIOR	4,687	(544)	85	4,058
Total Property Taxes	\$ 727,589	\$ (42,194)	\$ 644,070	\$ 41,325
Less Accrued Revenue - June 30, 2009			(1,219)	
Add Accrued Revenue - June 30, 2010			1,186	
Total Property Tax Revenue			\$ 644,037	
Current Year Property Tax Revenues:	<u>Prior</u>	<u>Current</u>	<u>Total</u>	
Urban Renewal Debt Service Fund	\$ 16,022	\$ 628,015	\$ 644,037	
TOTALS	\$ 16,022	\$ 628,015	\$ 644,037	

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 (CONTINUED)
As of June 30, 2010

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 our examination of the financial statements, we 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. Based on our understanding, we determined that our examination could be more efficiently done without placing reliance on certain internal accounting controls. Therefore, we did not test internal accounting controls but adjusted the nature and extent of other auditing procedures as deemed necessary.

Our examination of the combined financial statements would not necessarily disclose all weaknesses in the system because it was based on selective testing. Accordingly, we do not express an opinion on the system of internal control.

Although the Agency's system of internal control is somewhat limited by the number of administrative personnel available, our study did not disclose any conditions which we considered to be material weaknesses in the limited controls.

As part of our audit of the basic financial statements, we reviewed and tested the Agency's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The accounting records were properly maintained and the accounting and internal control structure was adequate.

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, 2010

INDEBTEDNESS:

The Agency has not exceeded its legal debt limitation as provided by ORS 328.245. 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 2009-10 fiscal year or in preparation and adoption of the 2010-11 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, 2010 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 17, 2010