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, 2014

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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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, 2014

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STEVE
TUCHSCHERER
Certified Public Accountant

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, 2014, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 23-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the management's discussion and analysis in accordance with the auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of

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preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, on our consideration of the Urban Renewal Agency of the City of Veneta's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Urban Renewal Agency of the City of Veneta's internal control over financial reporting and compliance.

Steve Tuchscherer, CPA
November 20, 2014

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
For the Fiscal Year Ended June 30, 2014
Unaudited

The management staff of the Veneta Urban Renewal Agency (Agency), a component unit of the City of Veneta, Oregon presents this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2014. Readers are encouraged to consider the information presented here in conjunction with the Agency's financial statements which follow this discussion and analysis.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Veneta Urban Renewal Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The notes are followed by two other components containing required and other supplementary information.

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

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

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

Both of the government-wide financial statements distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Urban Renewal Agency include but not limited to general government, community development, and economic development. The Agency does not have any business-type activities.

The Agency does not have any component units; however, the Agency is a component unit of the City of Veneta. Financial information for the City (known as the primary government) is reported separately from the financial information presented for the component unit itself.

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

Fund Financial Statements. A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The Agency, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds can be divided into three main categories: governmental funds, proprietary funds, or fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Veneta Urban Renewal Agency maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and debt service funds, both of which are considered to be major funds. The Agency has no other funds, so presentation of combined or non-major governmental funds is not necessary.

The Agency adopts an annual appropriated budget for its general and debt service funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 8-13 of this report.

Proprietary funds. The Agency has no proprietary or any fiduciary funds.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the financial statements. The notes to the basic financial statements can be found on pages 14-22.

Other Information. The individual statements referred to earlier, including budgetary comparisons, can be found on pages 23-24. The report contains one other schedule which is presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As stated earlier, net position may serve over time as a useful indicator of a government's financial health. In the case of the Agency, assets were $223,846 less than liabilities at the close of fiscal year 2014.

This is a significant increase compared to last fiscal year. One contributing factor is that the Agency did not make any indirect investments into the capital assets of the City of Veneta during the year nor did it continue its participation in the VISTA Program.

URBAN RENEWAL AGENCY OF THE CITY OF VENETA

(A Component Unit of the City of Veneta)

MANAGEMENT'S DISCUSSION and ANALYSIS
For the Fiscal Year Ended June 30, 2014
Unaudited

Veneta Urban Renewal Agency
Summary of Net Position

	June 2014	June 2013	Change	%
Assets				
Cash and Investments	$ 1,332,818	$ 985,611	$ 347,207	35.2%
Property Taxes Receivable	54,112	53,966	146	0.3%
Total Assets	1,386,930	1,039,577	347,353	33.4%
Liabilities				
Accounts Payable	2,694	6,543	(3,849)	-58.8%
Interest Payable	28,082	31,281	(3,199)	-10.2%
Bonds Payable:				
Due within One Year	190,000	180,000	10,000	5.6%
Due after One Year	1,390,000	1,580,000	(190,000)	-12.0%
Total Liabilities	1,610,776	1,797,824	(187,048)	-10.4%
Net Position				
Restricted for Capital Projects	313,054	341,668	(28,614)	-8.4%
Restricted for Debt Service	1,018,343	638,778	379,565	59.4%
Unrestricted	(1,555,243)	(1,738,693)	183,450	10.6%
Total Net Position	$ (223,846)	$ (758,247)	$ 534,400	70.5%

Restricted net position increased by $350,951 compared to FY2013.

At the end of the current fiscal year, the Agency reported negative balances in both categories of net position (government as a whole and governmental activity). The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the Agency's net position by $534,400 which was slightly higher than the $505,788 increase last fiscal year. As stated above, the improvement can be attributed to the lack of indirect capital project investments that the Agency made in fiscal year 2013-14 compared to $100,000 invested in fiscal year 2012-13.

URBAN RENEWAL AGENCY OF THE CITY OF VENETA

(A Component Unit of the City of Veneta)

MANAGEMENT'S DISCUSSION and ANALYSIS
For the Fiscal Year Ended June 30, 2014
Unaudited

Veneta Urban Renewal Agency
Changes in Net Position

	June 2014	June 2013	Change	%
Revenues				
Property Taxes	$ 656,402	$ 648,768	$ 7,634	1.2%
Other Revenue	-	5,125	(5,125)	0.0%
Investment Earnings	2,118	1,753	365	20.8%
Total Revenues	658,520	655,646	2,874	0.4%
Expenses				
Current Operating:				
General Government	18,935	31,655	(12,720)	-40.2%
Debt Service:				
Interest and Fees on Debt	94,825	104,296	(9,471)	-9.1%
Total Expenses	113,760	135,951	(22,191)	-16.3%
Excess / (Deficiency) of Revenue vs. Expense	544,760	519,695	25,065	4.8%
Other Financing Sources / (Uses)				
Transfer to City of Veneta	(10,360)	(13,907)	3,547	25.5%
Change in Net Position	534,400	505,788	28,612	5.7%
Net Position, Beg. of Year	(758,246)	(1,264,034)	505,788	40.0%
Net Position, End of Year	$ (223,846)	$ (758,246)	$ 534,400	70.5%

- Property tax revenue was not significantly different from the amount received in fiscal year 2012-13.
- Investment earnings increased slightly.
- Expenditures were less than last year, largely because the Agency did not participate in the VISTA program and the amount of the debt service payments continue to decrease.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Agency's governmental funds reported a combined ending fund balance of $1,331,397 an increase of $350,951 in comparison with the prior year. For the most part the fund balance is not available for spending at the government's discretion. The entire fund balance is restricted to future capital projects and development programs ($313,054) and to pay debt service ($1,018,343).

The general fund is the chief operating fund of the Urban Renewal Agency. At the end of the current fiscal year the total fund balance reached $313,054. The entire amount is restricted. As a measure of the general fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. The fund balance exceeds the total general fund expenditures, for the current year, by $294,120.

During the current year the City's general fund balance decreased by $28,614 largely because interest earnings are the only steady revenue source for this fund. In the past, and possibly again in the future, the Agency has taken on short-term debt the proceeds of which "replenish" this fund.

General Fund Budgetary Highlights

The adopted budget in the General Fund did not change during the fiscal year. Significant variances between budget and actual activity are summarized as follows:

- Revenues from investment earnings were again higher than expected.
- The Agency spent only 30.0 percent of the amount appropriated for materials and services. Programs and projects budgeted in FY2014 have been carried forward or cancelled.

Capital Asset and Debt Administration

Capital Assets. The Agency does not have any capital or infrastructure assets. No new debt was incurred within the fiscal year ending June 30, 2014.

Long-Term Debt. At the end of the current fiscal year, the Agency had total debt outstanding of $1,580,000. The entire amount is from a Series 2001 Bond Issue.

The Urban Renewal Agency's total debt decreased by $180,000 during the fiscal year.

Additional information on the Agency's long-term debt can be found in Note 4.

Economic Factors and Next Year's Budgets and Rates

Property tax revenue has remained fairly stable. Oregon's property tax system, where assessed values for tax purposes are not tied to real market values, has allowed revenue to remain stable even as real market value had declined.

The Agency will continue to explore opportunities to stimulate and/or support economic development especially in the downtown area. The Board members are hopeful that the construction of the much anticipated Fern Ridge Service Center (FRSC) on W. Broadway, between Territorial Hwy and 2nd Street, which was completed in the fall of 2013 will supplement the other development efforts. The FRSC is a multi-faceted building housing numerous local assistance programs.

During the current fiscal year the fund balance in the general fund decreased to $313,054. The Agency has appropriated $77,975 of this amount for spending in the 2015 fiscal year budget. The planned decrease of fund balance is not expected to create a financial burden.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE

FINANCIAL STATEMENTS

URBAN RENEWAL AGENCY OF THE CITY OF VENETA

(A Component Unit of the City of Veneta)

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
ASSETS:	
Current Assets:	
Cash and Investments	$ 1,332,818
Property Taxes Receivable	54,112
Total Assets	**$ 1,386,930**
LIABILITIES:	
Current Liabilities:	
Accounts Payable	$ 2,694
Interest Payable	28,082
Current Portion of Long-Term Liabilities:	
General Obligation Bonds	190,000
Total Current Liabilities	220,776
Long-Term Liabilities:	
Noncurrent Portion of Long-Term Liabilities:	
General Obligation Bonds	1,390,000
Total Long-Term Liabilities	1,390,000
Total Liabilities	**$ 1,610,776**
NET POSITION:	
Restricted for:	
Capital Projects	313,054
Debt Service	1,018,343
Unrestricted	(1,555,243)
Total Net Position	**$ (223,846)**

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, 2014

Functions / Programs	(Expenses)	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
GOVERNMENTAL ACTIVITIES:					
General Government	$ 18,934	$ -	$ -	$ -	$ (18,934)
Interest on Long-Term Debt	94,826	-	-	-	(94,826)
Total Governmental Activities	**$ 113,760**	**$ -**	**$ -**	**$ -**	**$ (113,760)**

GENERAL REVENUES:	
Taxes	
Property Taxes, Levied for Debt Service	656,402
Interest and Investment Earnings	2,118
Transfer of Capital Assets to Primary Government	(10,360)
Subtotal - General Revenues	648,160
Change in Net Position	534,400
Net Position, July 1, 2013	(758,246)
Net Position, June 30, 2014	**$ (223,846)**

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, 2014

	Urban Renewal General Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash and Investments	$ 315,748	$ 1,017,070	$ 1,332,818
Property Taxes Receivable	-	54,112	54,112
Total Assets	**$ 315,748**	**$ 1,071,182**	**$ 1,386,930**
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	$ 2,694	$ -	$ 2,694
Deferred Revenue	-	52,839	52,839
Total Liabilities	2,694	52,839	55,533
Fund Balances:			
Restricted for:			
Capital Projects	313,054	-	313,054
Debt Service	-	1,018,343	1,018,343
Total Fund Balances	313,054	1,018,343	1,331,397
Total Liabilities & Fund Balances	**$ 315,748**	**$ 1,071,182**	**$ 1,386,930**

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 POSITION

June 30, 2014

Total Fund Balances - Governmental Funds	**$ 1,331,397**
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Property taxes receivables not collected within 60 days of the current period ending date are deferred in the governmental funds.	52,839
Interest payable that is not recognized in the governmental fund is accrued in the Statement of Net Position.	(28,082)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(1,580,000)
Net Position of Governmental Activities	**$ (223,846)**

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 BALANCES

GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2014

	Urban Renewal General Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes	$ -	$ 656,152	$ 656,152
Interest and Investment Earnings	680	1,438	2,118
Total Revenues	680	657,590	658,270
EXPENDITURES:			
Current Operating			
General Government	18,934	-	18,934
Debt Service			
Principal	-	180,000	180,000
Interest	-	98,025	98,025
Total Expenditures	18,934	278,025	296,959
Excess (Deficiency) of Revenues Over Expenditures	(18,254)	379,565	361,311
OTHER FINANCING SOURCES (USES):			
Interfund Transfers (Out)	(10,360)	-	(10,360)
Total Other Financing sources (uses)	(10,360)	-	(10,360)
Net Change in Fund Balances	(28,614)	379,565	350,951
Fund Balances, July 1, 2013	341,668	638,778	980,446
Fund Balances, June 30, 2014	**$ 313,054**	**$ 1,018,343**	**$ 1,331,397**

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, 2014

Net Changes in Fund Balances - Total Governmental Funds	**$**	**350,951**
Amounts reported for governmental activities in the Statement of Activities are different because:		
Some revenues will not be collected for several months after the City's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue. However, these funds are recorded as revenue in the Statement of Activities. The changes in amounts deferred are as follows:		
Property Taxes		250
The change in interest payables from prior to current year is reconciled here:		3,199
Repayment of long-term debt principal amounts are expenditures in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Position. Retirement of debt principal is as follows:		
General Obligations Bonds		180,000
Changes in Net Position of Governmental Assets	**$**	**534,400**

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

NOTES

TO THE BASIC

FINANCIAL STATEMENT

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 Assets resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

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 Assets 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 water pipeline 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 Position. All transactions and events that affect the total economic resources (Net Position) 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

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.

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 Position. The Agency's negative Net Position is 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 Position. 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 Position and are classified as restricted Assets on the Statement of Net Position because their use is limited. For the fiscal year ended June 30, 2014 the Agency had $1,018,343 in restricted Assets for debt service and in the general fund, $313,054 of restricted Assets for capital projects.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

K. Equity Classifications

Equity is classified as Net Position, which represents the difference between Assets and liabilities. Net Position is displayed in three components:

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

The Agency's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available.

Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Agency 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 Agency did not have any nonspendable resources as of June 30, 2014.

- Restricted: This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The Agency 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 Agency did not have any committed resources as of June 30, 2014.

- 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

K. Equity Classifications (Cont.)

The Agency 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.

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 Assets.

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.

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, 2014, the reported amount of the Agency's deposits was $592,157 and the bank balance was $592,196. 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, 2014, the Agency's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2014, the Agency's investments in financial institutions were exposed to custodial credit risk as follows:

Type of Investment	Fair Value	Credit Rating
Oregon State Treasurer's Local Government Investment Pool (LGIP)	$ 739,388	N/A
Total Investments	$ 739,388	

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, 2014:

	Outstanding Balance July 1, 2013	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2014	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	$1,760,000	$ -	$ 180,000	$ 1,580,000	$ 190,000
Interest	-	98,025	98,025	-	87,900
Totals	$1,760,000	$ 98,025	$ 278,025	$ 1,580,000	$ 277,900

The annual future requirements to amortize debt at June 30, 2014, 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	2015	277,900	190,000	87,900
	2016	277,688	200,000	77,688
	2017	281,938	215,000	66,938
	2018	279,844	225,000	54,844
	2019-2021	836,063	750,000	86,063
			1,580,000	373,431

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, 2014, the various components of deferred revenue consist of the following:

	Urban Renewal Debt Service Fund
Property Taxes	$ 52,839
Total	$ 52,839

REQUIRED SUPPLEMENTARY INFORMATION

URBAN RENEWAL AGENCY OF THE CITY OF VENETA

(A Component Unit of the City of Veneta)

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

URBAN RENEWAL GENERAL FUND

For the Fiscal Year Ended June 30, 2014

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

URBAN RENEWAL AGENCY OF THE CITY OF VENETA

(A Component Unit of the City of Veneta)

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

URBAN RENEWAL DEBT SERVICE FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive
	Original	Final	(See Note 1)	(Negative)
REVENUES:				
Taxes	$ 602,700	$ 602,700	$ 656,152	$ 53,452
Investment Revenue	125	125	1,438	1,313
Total Revenues	602,825	602,825	657,590	54,765
EXPENDITURES:				
Debt Service	578,100	578,100	278,025	(300,075)
Total Expenditures	578,100	578,100	278,025	(300,075)
Excess (Deficiency) of Revenues over Expenditures	24,725	24,725	379,565	354,840
Fund Balance - July 1, 2013	220,000	220,000	638,778	418,778
Fund Balance - June 30, 2014	**$ 244,725**	**$ 244,725**	**$ 1,018,343**	**$ 773,618**

OTHER SUPPLEMENTARY INFORMATION AND 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, 2014

	Uncollected Balance July 1, 2013	Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2014
2013-14	$ 655,130	$ 9,199	$ 634,593	$ 29,736
2012-13	29,674	(9,897)	9,052	10,725
2011-12	10,695	153	4,676	6,172
2010-11	6,081	409	3,292	3,198
2009-10	3,166	(8)	2,436	722
2008-09	710	109	342	477
2007-08 & Prior	3,640	277	835	3,082
Total Property Taxes	$ 709,096	$ 242	$ 655,226	$ 54,112

Less Accrued Revenue - June 30, 2013	(3,901)
Add Accrued Revenue - June 30, 2014	1,273
Total Property Tax Revenue	$ 652,598

Current Year Property Tax Revenues:	Prior	Current	Total
Urban Renewal Debt Service Fund	$ 17,393	$ 635,205	$ 652,598
TOTALS	$ 17,393	$ 635,205	$ 652,598

INDEPENDENT AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATION

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

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

We have audited the basic financial statements of the Urban Renewal Agency of the City of Veneta (Agency) as of and for the year ended June 30, 2014, and have issued our report thereon dated November 20, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance
As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.
We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

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

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

OAR 162-10-0230 Internal Control
In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency internal control over financial reporting. This report is intended solely for the information and use of the Board of Directors and management of the Agency and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Steve Tuchscherer, CPA, PC

Roseburg, Oregon
November 20, 2014