

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011



**12700 SW 72nd Ave.
Tigard, OR 97223**

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

FINANCIAL REPORT

Year Ended June 30, 2011

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	I-VIII
FINANCIAL STATEMENTS AND SCHEDULES:	
Basic Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Balance Sheet – Governmental Funds	4
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	6
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance –Governmental Funds – To Statement of Activities	7
Statement of Net Assets – Proprietary Funds	8
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	9
Statement of Cash Flows - Proprietary Funds	10
Notes to Basic Financial Statements	11
Required Supplementary Information	
Schedule of Funding Progress – Trend Information	33
Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis – General Fund	34
Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis – Airport Fund	35
Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis – Agate Beach Closure Fund	36
Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis – Room Tax Fund	37

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

TABLE OF CONTENTS, (CONTINUED)

PAGE
NUMBER

Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Actual and Budget - Budgetary Basis – Capital Projects Fund	38
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Actual and Budget - Budgetary Basis – General Debt Service Fund	39
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Actual and Budget - Budgetary Basis – NS Urban Renewal Debt Service Fund	40
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Actual and Budget - Budgetary Basis – South Beach Urban Renewal Debt Service Fund	41

Other Governmental Funds

Combining Balance Sheet – Non-Major Governmental Funds	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	43
Schedules of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis:	
Building Permit & Inspection Fund	44
Street Fund	45
Line Underground Fund	46
Public Parking Fund	47
Parks & Recreation Fund	48
Street SDC Fund	49
Parks SDC Fund	50
Storm Drain SDC Fund	51

Proprietary Funds

Schedules of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis:	
Wastewater Fund	52
Water Fund	53
Combining Balance Sheet – Non-Major Proprietary Funds	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Proprietary Funds	55
Schedules of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis:	
Bonded Debt Fund	56
Water SDC Fund	57
Wastewater SDC Fund	58

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

TABLE OF CONTENTS, (CONTINUED)

	<u>PAGE</u> <u>NUMBER</u>
Schedule of Property Tax Transactions and Balances of Taxes Uncollected	59
Independent Auditors' Report Required by Oregon State Regulations	61
 GRANT COMPLIANCE REVIEW	
Schedule of Expenditures of Federal Awards	63
Report on Compliance and Internal Control over Financial Reporting	64
Report on Compliance with Requirements Applicable to Each Major Program	66
Schedule of Findings and Questioned Costs	68

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

ELECTED OFFICIALS

June 30, 2011

<u>NAME</u>	<u>TERM EXPIRES</u>
Mark McConnell, Mayor	December 31, 2012
Lon Brusselback, Council President	December 31, 2012
Jeff Beruleit	December 31, 2014
Sandra Roumagoux	December 31, 2014
David Allen	December 31, 2014
Richard Beemer	December 31, 2014
Dean Sawyer	December 31, 2012

All council members receive mail at the address listed below.

CITY MANAGER

Jim Voetberg

City of Newport
169 SW Coast Hwy
Newport, Oregon 97365

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

November 14, 2011

To the Honorable Mayor and
Members of the City Council
City of Newport, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Newport, Lincoln County, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Newport, Lincoln County, Oregon, at June 30, 2011 and the results of its operations and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reports dated November 14, 2011 on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Schedule of Funding Progress, as listed on page 33, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, including budgetary comparison schedules (which are required supplementary information for major governmental funds) as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as listed in the table of contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The Supplemental Information and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.

Management's Discussion and Analysis

The City of Newport ("City") offers its public a discussion of its financial statements for the fiscal year ended 31 July 2011. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements that follow.

Financial Highlights

Net Assets – At the close of the most recent fiscal year, the assets of the City exceeded its liabilities by **\$78.7 million**. Of this amount, **\$13.3 million** may be used to meet the City's ongoing obligations to citizens and creditors.

Change in Net Assets - The City's total net assets increased by **\$5.6 million**; long term debt decreased by **\$2.1 million**, while other liabilities increased by about **\$0.64 million**. Total assets increased by **\$4.3 million**.

Governmental Funds - As of the close of the fiscal year, the City's governmental funds reported combined Ending Fund Balances (EFBs) of **\$9.6**, down **\$0.91 million** from last year's **\$9.7 million**, primarily due to the purchase of a Big, Honking Fire Truck out of the Fire Reserve Fund. The General Fund's EFB decreased by \$786.9 thousand, this despite the use of General Funds to eliminate or reduce the negative fund balances from FY10 in the Parks and Recreation, Airport, and Streets Funds. Other significant changes were to the Capital Projects Fund, whose EFB increased \$901.3 thousand, and to the Fire Reserve Fund, whose EFB dropped, as planned to zero, after a major capital procurement. On 05 December 2011 the City expects to "zero out" the remaining negative fund balance of \$75,000 in the Streets Fund.

The City's total debt decreased by **\$2.1 million** during the fiscal year, in part due to the scheduled pay down of principal on outstanding loans and, also, due to the early pay off of the North Side Urban Renewal Agency debt (saving taxpayers more than \$900,000 in interest payments).

Though not completely clear of the negative fund balances and exceeded appropriations that have plagued the City over the past few years, the City has reduced the negative fund balances from last year's \$1.2 million to this year's \$75,000; in addition, the City reduced the number of expenditures exceeding appropriations from 19 last year to seven this year, five of which resulted from accounting changes advised by the auditors.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. In addition to these statements, the report also contains other supplementary information.

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

The Statement of Net Assets presents information on all of the City'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 financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City'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 result in cash flows only in future fiscal periods (for example, uncollected taxes, and earned but unused vacation leave). The **governmental activities** of the City include general government, public safety, streets, economic development, culture and recreation, airport operations, and interest paid on long term debt. The **business type** activities include those funds dealing with water treatment and distribution and wastewater treatment and collection.

Fund financial statements. A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. As do other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two types of funds: Governmental and Proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of 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 financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balances provide a reconciliation to facilitate this comparison.

The City maintains 16 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 these "major" funds:

1. General Fund
2. Debt Service Fund
3. Airport Fund
4. Agate Beach Closure Fund
5. Room Tax Fund
6. Capital Projects Fund
7. North Side Urban Renewal Agency (NSURA)
8. South Beach Urban Renewal Agency

Data from the other eight non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the other supplementary information described below.

Proprietary Funds. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent two significant segments of the City's operations: Water and Wastewater, which includes the treatment plants, the collection and distribution systems, and customer service.

Notes to the Basic Financial Statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

Other Supplementary Information. The combining statements for the non-major governmental funds and budgetary comparison schedules for both the non-major governmental funds and the proprietary funds are presented immediately following the notes to the basic financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of 31 July 2011, the City's assets exceeded liabilities by **\$78.68 million**.

The largest portion of the City's net assets (**75.9%**) is its investment in capital assets (land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following summary is a comparison between the City's net assets at the end of the fiscal year as compared to the end of last fiscal year.

Table 1

SUMMARY OF NET ASSETS

	Governmental Activities			Business-type Activities			Total Government		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Cash and investments	\$12,848,319	\$9,720,349	\$10,008,446	\$17,939,367	\$16,306,509	\$8,635,117	\$30,827,614	\$26,026,858	\$18,643,563
Other Assets	3,317,068	4,599,891	4,751,828	(486,629)	(1,896,784)	(532,058)	2,790,511	2,703,107	4,219,770
Capital assets	41,897,724	43,058,097	47,175,508	46,054,813	48,059,239	54,176,756	87,952,537	91,117,336	101,352,264
Total Assets	\$58,063,111	\$57,378,337	\$61,935,782	\$63,507,551	\$62,468,964	\$62,279,815	\$121,570,662	\$119,847,301	\$124,215,597
Other Liabilities	\$1,424,104	\$1,547,343	\$2,649,586	\$1,009,771	\$1,234,896	\$777,144	\$2,433,875	\$2,782,239	\$3,426,730
Long term debt	8,914,207	6,501,921	13,227,743	39,436,020	37,393,508	28,883,573	48,350,227	43,895,429	42,111,316
Total liabilities	\$10,338,311	\$8,049,264	\$15,877,329	\$40,445,791	\$38,628,404	\$29,660,717	\$50,784,102	\$46,677,668	\$45,538,046
Net assets:									
Invested in capital assets, net of debt	\$32,983,517	\$25,710,830	\$34,067,289	\$6,508,792	\$10,561,229	\$27,293,814	\$39,492,309	\$36,272,059	\$61,361,103
Restricted:									
Debt Service	6,207,709	3,016,657	2,587,316	430,158	226,544	273,232	6,637,867	3,243,201	2,860,548
Systems Development	479,976	567,149	624,686	537,704	508,271	556,896	1,017,680	1,075,420	1,181,582
Unrestricted	8,053,598	20,034,437	8,779,162	15,585,106	12,544,516	4,495,156	23,638,704	32,578,933	13,274,318
Total net assets	\$47,724,800	\$49,329,073	\$46,058,453	\$23,061,760	\$23,840,560	\$32,619,098	\$70,786,560	\$73,169,633	\$78,677,551

The City's net assets represent resources that are invested in capital assets, net of related debt. Of the remaining balance in net assets, **\$2.9 million** is restricted for future debt service, **\$1.2 million** is restricted for projects paid for by System Development Charges (SDCs), and **\$13.3** is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities. Governmental net assets decreased by about **\$3.3 million** in FY11, the largest change in governmental activities being an increase in long-term debt, based upon the full faith and credit of the City, which resulted in the debt retirement of the NSURA.

Business-type activities. Net assets for Business-type activities increased by about **\$8.8 million** as some of the City's debt for its Wastewater Treatment Plant was re-financed, considerably reducing the amount of long-term debt outstanding.

A portion of the year-end net assets is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. Within the governmental activities category are system development charges, assessments, taxes and other collections limited to repayment of debt. Within the business-type activities are bond proceeds and debt service reserves.

Table 2

GOVERNMENTAL AND PROPRIETARY ACTIVITIES

	Governmental Activities			Business-type Activities			Total Government		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
REVENUES									
Program Services									
Charges for Services	\$1,463,927	\$1,627,093	\$2,076,510	\$4,841,845	\$4,854,875	\$5,070,731	\$6,305,772	\$ 6,481,968	\$ 7,147,241
Grants and Contributions	954,380	-	1,813,418	8,000	-	-	962,380	-	1,813,418
General Revenue									
Taxes	10,902,258	12,112,878	11,243,755	1,203,796	1,225,852	1,515,373	12,106,054	13,338,730	12,759,128
Licenses, Permits and Fees	750,076	856,283	1,051,082	-	71,000	264,161	750,076	927,283	1,315,243
Intergovernmental	696,564	770,990	760,840	-	-	-	696,564	770,990	760,840
Special Assessments	-	-	-	-	-	-	-	-	-
Investment Earnings	315,667	104,501	40,947	152,801	182,078	63,553	468,468	286,579	104,500
Other Revenue	929,734	592,484	452,534	69,443	-	-	999,177	592,484	452,534
Capital Grants/Contributions	-	2,204,481	1,960,368	-	2,000	-	-	2,206,481	1,960,368
Transfers	(111,491)	(125,318)	(7,442,237)	111,491	125,318	7,442,237	-	-	-
Total Revenues	\$ 15,901,115	\$ 18,143,392	\$ 11,957,217	\$ 6,387,376	\$ 6,461,123	\$ 14,356,055	\$ 22,288,491	\$ 24,604,515	\$ 26,313,272
EXPENSES									
Programs	\$15,786,875	\$16,539,119	\$15,227,837	\$5,865,226	\$5,682,323	\$5,506,450	\$21,652,101	\$22,221,442	\$20,734,287
Change in Net Assets	114,240	1,604,273	(3,270,620)	522,150	778,800	8,849,605	636,390	2,383,073	5,578,985
Prior Period Adjustment	-	-	-	-	-	(71,067)	-	-	(71,067)
Beginning Net Assets	47,610,560	47,724,800	49,329,073	22,539,610	23,061,760	23,840,560	70,150,170	70,786,560	73,169,633
Ending Net Assets	\$ 47,724,800	\$ 49,329,073	\$ 46,058,453	\$ 23,061,760	\$ 23,840,560	\$ 32,619,098	\$ 70,786,560	\$ 73,169,633	\$ 78,677,551

Financial Analysis of the City's funds

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

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of **\$9.61 million**.

A summary of all fund balances is shown on the next page:

**TABLE 3
ENDING FUND BALANCES
GOVERNMENTAL FUNDS**

	FY09	FY10	FY11	Delta
General Fund	775,168	867,413	1,199,958	332,545
Airport Fund	(274,375)	(20,503)	22,744	43,247
Agate Beach Closure Fund	1,525,644	1,500,583	1,476,335	(24,248)
Room Tax Fund	2,050,313	1,360,712	1,213,552	(147,160)
Street Fund	(153,838)	(648,064)	(75,196)	572,868
Building Inspection Fund	617,110	524,164	714,063	189,899
Debt Service Fund	(16,420)	(335,948)	570,626	906,574
Capital Projects Fund	-	-	901,288	901,288
Airport FBO Fund	(188,737)	(157,157)	-	157,157
Library Reserve Fund	1,202	-	-	-
Parks and Recreation Reserve Fund	87,025	48,401	-	(48,401)
W/C Reserve Fund	3,360	-	-	-
Retirement Reserve Fund	57	-	-	-
Combined Arts Fund	654	-	-	-
Capital Improvement Fund	63,020	-	-	-
Fire Reserve Fund	339,239	1,119,445	-	(1,119,445)
Line Undergrounding Fund	589,999	454,882	385,561	(69,321)
Public Parking Fund	314,029	339,257	354,639	15,382
Recreation Fund	25,995	(45,675)	318,926	364,601
Housing Fund	3,299	-	-	-
Street SDC Fund	286,430	357,642	469,170	111,528
Parks SDC Fund	151,951	163,883	89,733	(74,150)
Storm Drain Fund	41,595	45,624	65,783	20,159
South Beach (Urban Renewal Fund)	766,768	795,689	-	(795,689)
(North Side) Urban Renewal Bond Redemption Fund	4,124,950	1,227,834	327,368	(900,466)
South Beach Debt Service Fund	2,082,759	2,124,771	1,572,387	(552,384)
TOTALS	13,217,197	9,722,953	9,606,937	(116,016)

**TABLE 3a
ENDING FUND BALANCES
BUSINESS-TYPE FUNDS**

	FY09	FY10	FY11	Delta
Water Fund	4,081,947	4,594,139	5,084,719	490,580
Wastewater Fund	19,266,157	21,302,849	28,672,684	7,369,835
Wastewater SDC Fund	161,815	96,628	464,724	368,096
Water SDC Fund	375,889	411,643	92,172	(319,471)
Bonded Debt Fund	430,158	226,544	273,232	46,688
TOTALS	24,315,966	26,631,803	34,587,531	7,955,728

NOTES TO TABLE 3:

1. Parks Reserve Fund combined with Parks and Recreation Fund in FY11
2. Fire Reserve Fund combined with General Fund in FY11
3. South Beach Urban Renewal Construction Fund combined with Debt Service Funds in FY11

Capital assets. As of 31 July 2011, the City’s investment in capital assets for its governmental and business type activities was **\$101.35 million**, net of accumulated depreciation (see Table 4, below). This investment in capital assets includes land and improvements, buildings and structures, infrastructure and improvements, utility systems, equipment and vehicles, and construction in process.

Table 4
Capital Assets at year-end
(net of depreciation)

	Governmental Activities			Business-Type Activities			Total		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Land	\$8,796,155	\$ 8,796,155	\$ 9,022,282	\$26,910	\$ 244,606	\$ 244,606	\$8,823,065	\$ 9,040,761	\$ 9,266,888
Buildings and structures	28,099,582	28,421,571	28,448,156	12,396,801	12,396,802	12,396,802	40,046,743	40,818,373	40,844,958
Equipment	3,579,764	3,615,798	3,615,798	1,179,566	1,248,777	1,248,777	4,572,752	4,864,575	4,864,575
Vehicles	3,094,793	3,689,287	4,476,982	497,661	779,106	779,106	3,354,451	4,468,393	5,256,088
Infrastructure	25,946,603	26,054,958	28,129,700	49,767,270	49,886,096	51,546,938	75,241,081	75,941,054	79,676,638
Construction in progress	62,129	2,049,191	4,510,548	440,628	3,401,806	9,532,842	72,820	5,450,997	14,043,390
Less accumulated depreciation	(27,681,305)	(29,568,862)	(31,027,958)	(18,254,024)	(19,897,955)	(21,572,315)	(42,721,219)	(49,466,817)	(52,600,273)
Total	\$ 41,897,721	\$ 43,058,098	\$ 47,175,508	\$ 46,054,812	\$ 48,059,238	\$ 54,176,756	\$ 89,389,693	\$ 91,117,336	\$ 101,352,264

Major capital asset events during the current fiscal year included the following:

- Continuing Construction on the new Water Treatment Plant
- Completion of the Bay Blvd Infrastructure Project
- Completion of the Elizabeth Street Sewer Project
- Naterlin Sidewalk Project
- Coast Street Project
- Senior Center Expansion Project

Table 5
Change in Capital Assets

	Governmental Activities			Business-type Activities			Total		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Beginning balance	\$ 33,903,986	\$ 41,897,723	\$ 43,058,098	\$ 55,485,707	\$ 46,054,813	\$ 48,059,238	\$ 89,389,693	\$ 87,952,536	\$ 91,117,336
Additions	15,703,378	3,076,968	7,503,979	610,738	3,750,732	9,309,153	16,314,116	6,827,700	16,813,132
Depreciation	(7,636,819)	(1,887,558)	(1,459,096)	4,422,709	(1,643,931)	(1,674,360)	(3,214,110)	(3,531,489)	(3,133,456)
Deletions	(72,820)	(29,035)	(1,927,473)	(14,464,341)	(102,376)	(1,517,275)	(14,537,161)	(131,411)	(3,444,748)
Ending Balance	\$ 41,897,723	\$ 43,058,098	\$ 47,175,508	\$ 46,054,813	\$ 48,059,238	\$ 54,176,756	\$ 89,389,693	\$ 91,117,336	\$ 101,352,264

Long-term debt.

The City has three major types of debt:

- General Obligation Bonds, that debt approved by the City’s taxpayers and for which they pay thorough an increase in their property taxes.
- Debt based upon the “full faith and credit of the City,” for which the City’s taxpayers do not pay directly. Revenue bonds, as an example, are secured by revenues generated by the particular project being financed.
- Loans made to the City by banks and other institutions

Currently the City has all three types of debt (See Table 6, below), which are further categorized by those funding Governmental activities and those funding business type activities.

In July 2010, the city refinanced loans with the DEQ and with the Oregon Business Development Department, which were originally issued to help finance a portion of the City's wastewater treatment plant.

The City entered into an agreement with Seal Rock Water District to take over its infrastructure and customer services in an area that is within the City's urban growth boundary. This agreement resulted in the City becoming obligated for annual payments to Seal Rock water District over 30 years. The agreement provided for fixed payments of \$60,000 per year which, when translated into a presumed principal and interest payment based on the value of the infrastructure acquired, resulted in the principal balance at year's end of \$.902 million.

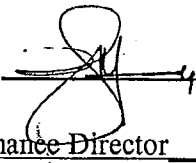
Outstanding Debt at Year-end

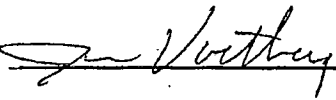
	2009	2010	2011
Governmental			
Full Faith and Refunding Series 2010B	\$ -	\$ -	\$ 7,850,000
Bank of America, Series 2000	1,300,000	422,929	-
2000 Oregon Dept of Energy loan	263,689	228,100	-
2000 SPWF loan	3,302,828	-	-
Bank of America, Series 2007	758,000	679,000	596,000
1990 Special PWFL - Aquarium	\$51,996	14,474	-
Bank of America, Series 2008	2,325,000	2,105,000	1,880,000
2007 Certificates of Participation	870,000	715,000	555,000
Leaf Funding	6,161	4,843	3,537
Capital leases - Library and Dell Computers	36,534	27,577	18,064
2009 Certificates of Participation (LOCAP)	-	2,305,000	2,070,000
Bond Premium	-	0	255,144
Sub-total	\$ 8,914,208	\$ 6,501,923	\$ 13,227,745
Business-type			
1998 WTP General Obligation Bonds	\$ 780,000	\$ 465,000	\$ 135,000
1999 Sewer General Obligation Bonds	-	-	-
2009 Water Improvement Bonds - WTP	15,895,541	15,895,540	15,810,541
2008 GO Refunding Bonds - WasteWater	7,470,000	6,955,000	6,410,000
1996 Oregon DEQ loan	6,058,061	5,708,097	-
1996 Oregon DEQ loan	4,630,584	4,032,992	-
Full Faith and Refunding Series 2010A	-	-	5,160,000
2000 OECDL loan	1,888,540	1,761,284	-
2000 OECDL loan	1,888,540	1,761,284	-
2007 Seal Rock Water District agreement	934,755	918,811	902,094
Bond Premium	934,755	918,811	465,938
Sub-total	\$40,480,776	\$ 38,416,819	\$ 28,883,573

The State of Oregon imposes a constitutional limit on property taxes for school and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The State further reduced property taxes in 1997 by replacing the previous constitutional limits on tax bases with a rate and value limit. This reduction was accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than three percent per years, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions.

Requests for information. This financial report is designed to provide a general overview of the City's financial condition. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Newport, 169 SW Coast Highway, Newport, Oregon, 97365.

Signature: 
Title: Finance Director

Signature: 
Title: City Manager

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 10,008,446	\$ 8,635,117	\$ 18,643,563
Receivables	2,646,700	1,044,009	3,690,709
Internal Service Charges	1,968,433	(1,968,433)	-
Land Held for Resale	9,751	-	9,751
Bond Issue Costs	119,524	392,266	511,790
Prepays	7,420	100	7,520
Capital Assets			
Depreciable, Net	33,642,678	44,399,307	78,041,985
Non Depreciable	13,532,830	9,777,449	23,310,279
Total Assets	61,935,782	62,279,815	124,215,597
LIABILITIES			
Accounts Payable	1,831,792	87,378	1,919,170
Payroll and Payroll Taxes Payable	366,683	69,110	435,793
Interest Payable	43,353	136,969	180,322
Deposits Payable	3,048	204,513	207,561
Unearned Revenue	57,668	215,956	273,624
Accrued Vacation	347,042	63,218	410,260
Noncurrent Liabilities:			
Due Within One Year:	1,409,695	1,515,854	2,925,549
Due in More Than One Year:	11,818,048	27,367,719	39,185,767
Total Liabilities	15,877,329	29,660,717	45,538,046
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	34,067,289	27,293,814	61,361,103
Restricted for:			
System Development	624,686	556,896	1,181,582
Debt Service	2,587,316	273,232	2,860,548
Unrestricted	8,779,162	4,495,156	13,274,318
Total Net Assets	\$ 46,058,453	\$ 32,619,098	\$ 78,677,551

See accompanying notes to the basic financial statements.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities				
General government	\$ 2,760,233	\$ 494,299	\$ -	\$ 19,759
Public safety	4,897,412	-	-	57,071
Streets	486,823	81,513	-	-
Economic development	1,329,239	412,433	-	-
Culture and recreation	2,966,405	637,297	-	38,821
Airport operations	2,302,109	450,968	-	1,697,767
Interest on long-term debt	485,616	-	-	-
Total Governmental Activities	15,227,837	2,076,510	-	1,813,418
Business- Type Activities				
Water	1,903,871	2,135,827	-	-
Sewer	3,602,579	2,934,904	-	-
Total Business-Type Activities	5,506,450	5,070,731	-	-
Total Primary Government	\$ 20,734,287	\$ 7,147,241	\$ -	\$ 1,813,418

General Revenues

Taxes:
Property
Transient Occupancy
Other Taxes
Licenses, Permits & Fees
Intergovernmental
Grants
Fines and Forfeitures
Investment Earnings
Miscellaneous
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - beginning of year

Prior Period Adjustment

Net Assets - end of year

See accompanying notes to the basic financial statements.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Net Revenue (Expenses) and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,246,175)	\$ -	\$ (2,246,175)
(4,840,341)	-	(4,840,341)
(405,310)	-	(405,310)
(916,806)	-	(916,806)
(2,290,287)	-	(2,290,287)
(153,374)	-	(153,374)
(485,616)	-	(485,616)
<u>(11,337,909)</u>	<u>-</u>	<u>(11,337,909)</u>
-	231,956	231,956
-	<u>(667,675)</u>	<u>(667,675)</u>
-	(435,719)	(435,719)
<u>(11,337,909)</u>	<u>(435,719)</u>	<u>(11,773,628)</u>
8,100,988	1,515,373	9,616,361
2,297,243	-	2,297,243
845,524	-	845,524
840,949	264,161	1,105,110
760,840	-	760,840
1,960,368	-	1,960,368
210,133	-	210,133
40,947	63,553	104,500
452,534	-	452,534
<u>(7,442,237)</u>	<u>7,442,237</u>	<u>-</u>
<u>8,067,289</u>	<u>9,285,324</u>	<u>17,352,613</u>
(3,270,620)	8,849,605	5,578,985
49,329,073	23,840,560	73,169,633
-	(71,067)	(71,067)
<u>\$ 46,058,453</u>	<u>\$ 32,619,098</u>	<u>\$ 78,677,551</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	GENERAL FUND	AIRPORT FUND	AGATE BEACH CLOSURE FUND	ROOM TAX FUND
ASSETS:				
Cash & Cash Equivalents	\$ 1,389,135	\$ -	\$ 1,480,599	\$ 955,386
Receivables, net				
Taxes	516,016	-	-	-
Accounts	135,746	193,855	-	239,801
Interfund Receivables	196,814	-	-	33,500
Prepays	7,420	-	-	-
Investment in Foreclosed Property	-	-	-	-
Total Assets	\$ 2,245,131	\$ 193,855	\$ 1,480,599	\$ 1,228,687
LIABILITIES AND FUND EQUITY:				
Liabilities:				
Accounts Payable	\$ 275,022	\$ 37,880	\$ 4,264	\$ 15,135
Payroll and Payroll Taxes Payable	284,282	16,704	-	-
Interfund Payable	-	111,353	-	-
Deferred Revenues	484,641	3,354	-	-
Customer Deposits	1,228	1,820	-	-
Total Liabilities	1,045,173	171,111	4,264	15,135
Fund Balances:				
Nonspendable	7,420	-	-	-
Restricted:				
Debt Service	-	-	-	126,686
System Development	-	-	-	-
Committed				
Airport	-	22,744	-	-
Agate Beach Site Closure	-	-	1,476,335	-
Room Tax	-	-	-	1,086,866
Building Inspections	-	-	-	-
Underground Lines	-	-	-	-
Pulic Parking	-	-	-	-
Parks & Recreation	-	-	-	-
Assigned				
Capital Projects	-	-	-	-
Unassigned	1,192,538	-	-	-
Total Fund Balances	1,199,958	22,744	1,476,335	1,213,552
Total Liabilities and Fund Balances	\$ 2,245,131	\$ 193,855	\$ 1,480,599	\$ 1,228,687

See accompanying notes to the basic financial statements.

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

CAPITAL PROJECTS FUND	GENERAL DEBT SERVICE FUND	NS URA DEBT SERVICE FUND	SO BEACH URA DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 2,299,305	\$ 560,875	\$ 305,545	\$ 929,271	\$ 2,088,330	\$ 10,008,446
-	-	154,326	192,215	-	862,557
-	-	11,876	632,467	570,398	1,784,143
-	-	-	-	-	230,314
-	-	-	-	-	7,420
-	9,751	-	-	-	9,751
<u>\$ 2,299,305</u>	<u>\$ 570,626</u>	<u>\$ 471,747</u>	<u>\$ 1,753,953</u>	<u>\$ 2,658,728</u>	<u>\$ 12,902,631</u>
\$ 1,398,017	\$ -	\$ 454	\$ 1,753	\$ 99,267	\$ 1,831,792
-	-	-	-	65,697	366,683
-	-	-	-	118,961	230,314
-	-	143,925	179,813	52,124	863,857
-	-	-	-	-	3,048
<u>1,398,017</u>	<u>-</u>	<u>144,379</u>	<u>181,566</u>	<u>336,049</u>	<u>3,295,694</u>
-	9,751	-	-	-	17,171
-	560,875	327,368	1,572,387	-	2,587,316
-	-	-	-	624,686	624,686
-	-	-	-	-	22,744
-	-	-	-	-	1,476,335
-	-	-	-	-	1,086,866
-	-	-	-	714,063	714,063
-	-	-	-	385,561	385,561
-	-	-	-	354,639	354,639
-	-	-	-	318,926	318,926
901,288	-	-	-	-	901,288
-	-	-	-	(75,196)	1,117,342
<u>901,288</u>	<u>570,626</u>	<u>327,368</u>	<u>1,572,387</u>	<u>2,322,679</u>	<u>9,606,937</u>
<u>\$ 2,299,305</u>	<u>\$ 570,626</u>	<u>\$ 471,747</u>	<u>\$ 1,753,953</u>	<u>\$ 2,658,728</u>	<u>\$ 12,902,631</u>

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS**
June 30, 2011

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Fund Balances	\$ 9,606,937
<p>The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.</p>	
Net Capital Assets	47,175,508
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. Bond Issue costs are expensed in the funds, but are capitalized and expensed over the life of the bonds on the government-wide statements.</p>	
GO Bonds, Notes and Contracts Payable	(13,227,743)
Bond Interest Payable	(43,353)
Bond Issue Costs	119,524
<p>Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.</p>	
Accrued Vacation	(347,042)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>	
Deferred Revenue	806,189
Internal Service Charges Balance Due From Business-Type Activities	<u>1,968,433</u>
Total Net Assets	<u>\$ 46,058,453</u>

See accompanying notes to the basic financial statements.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

	GENERAL FUND	AIRPORT FUND	AGATE BEACH CLOSURE FUND	ROOM TAX FUND
REVENUES				
Property Taxes	\$ 5,419,811	\$ -	\$ -	\$ -
Transient Room Tax	-	-	-	2,297,243
Other Taxes	52,566	-	-	-
Licenses, Permits, and Fees	1,129,150	-	10,389	-
Intergovernmental	735,106	-	-	-
Interfund Services	1,012,610	32,000	-	-
Property Taxes				
Leases & Rents	113,138	47,807	-	-
Investment Earnings	8,759	12	6,004	4,992
Fines and Forfeitures	210,133	-	-	-
Grants	77,830	1,697,766	-	-
Miscellaneous	215,414	403,489	-	7,504
Total Revenues	<u>8,974,517</u>	<u>2,181,074</u>	<u>16,393</u>	<u>2,309,739</u>
EXPENDITURES				
Current:				
General Government	2,441,340	-	-	-
Public Safety	4,331,608	-	-	-
Streets	-	-	-	-
Economic Development	-	-	-	966,513
Culture and Recreation	1,291,729	-	-	-
Airport Operations	-	2,362,067	-	-
Materials & Services	-	-	40,641	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Total Expenditures	<u>8,064,677</u>	<u>2,362,067</u>	<u>40,641</u>	<u>966,513</u>
Excess of Revenues Over (Under) Expenditures	909,840	(180,993)	(24,248)	1,343,226
Other Financing Sources, (Uses)				
Bond/loan Proceeds	-	-	-	-
Interfund Loan Payback	-	-	-	77,900
Special Payments	-	-	-	-
Transfers In/Out	(1,696,740)	381,397	-	(1,568,286)
Total Other Financing Sources, (Uses)	<u>(1,696,740)</u>	<u>381,397</u>	<u>-</u>	<u>(1,490,386)</u>
Net Change in Fund Balance	(786,900)	200,404	(24,248)	(147,160)
FUND BALANCE - BEGINNING OF YEAR	<u>1,986,858</u>	<u>(177,660)</u>	<u>1,500,583</u>	<u>1,360,712</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,199,958</u>	<u>\$ 22,744</u>	<u>\$ 1,476,335</u>	<u>\$ 1,213,552</u>

See accompanying notes to the basic financial statements.

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

CAPITAL PROJECTS FUND	GENERAL DEBT SERVICE FUND	NS URA DEBT SERVICE FUND	SO BEACH URA FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 641,197	\$ 1,936,847	\$ -	\$ 7,997,855
-	-	-	-	-	2,297,243
-	-	-	-	792,958	845,524
-	-	-	-	1,308,483	2,448,022
-	-	-	25,734	-	760,840
-	-	-	-	114,226	1,158,836
-	-	-	-	-	160,945
-	392	1,430	10,357	9,001	40,947
-	-	-	-	-	210,133
-	-	-	1,100,000	860,369	3,735,965
-	-	-	-	94,540	720,947
-	392	642,627	3,072,938	3,179,577	20,377,257
-	-	-	-	-	2,441,340
-	-	-	-	-	4,331,608
-	-	-	-	561,404	561,404
-	-	-	-	227,144	1,193,657
-	-	-	-	1,338,426	2,630,155
-	-	-	-	-	2,362,067
-	-	33,057	26,814	-	100,512
5,270,178	-	8,589	226,127	138,911	5,643,805
-	714,269	447,071	1,314,971	-	2,476,311
5,270,178	714,269	488,717	1,567,912	2,265,885	21,740,859
(5,270,178)	(713,877)	153,910	1,505,026	913,692	(1,363,602)
-	6,610,310	-	2,001,613	-	8,611,923
-	-	-	-	-	77,900
-	1,869,088	(1,054,376)	(814,712)	-	-
6,171,466	(6,858,947)	-	(4,040,000)	168,873	(7,442,237)
6,171,466	1,620,451	(1,054,376)	(2,853,099)	168,873	1,247,586
901,288	906,574	(900,466)	(1,348,073)	1,082,565	(116,016)
-	(335,948)	1,227,834	2,920,460	1,240,114	9,722,953
\$ 901,288	\$ 570,626	\$ 327,368	\$ 1,572,387	\$ 2,322,679	\$ 9,606,937

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - TO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

Excess of Revenues over Expenditures \$ (116,016)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capitalized Additions, net of deletions	\$ 5,576,507	
Depreciation Expense, net of adjustments	(1,459,096)	
Net Adjustment		4,117,411

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities; however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes in liability balances.

GO Bonds & Notes Payable	\$ (6,725,822)	
Bond Issue Costs	119,524	
Bond Interest Payable	(3,627)	
Accrued Vacation	57,587	
Net Adjustment		(6,552,338)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes		103,133
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Internal Service Charges Balances Due From Business-Type Activities		(822,810)
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Change in Net Assets		\$ (3,270,620)
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See accompanying notes to the basic financial statements.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2011

	WASTEWATER FUND	WATER FUND	OTHER PROPRIETARY FUNDS	TOTALS CURRENT YEAR
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,130,192	\$ 6,677,507	\$ 827,418	\$ 8,635,117
Interfund Receivables	-	20,000	-	20,000
Prepays	100	-	-	100
Receivables				
Taxes	-	-	142,839	142,839
Accounts	474,729	331,283	13,264	819,276
SDC Loans	-	-	81,894	81,894
Capital Assets				
Depreciable, Net	39,036,487	5,362,820	-	44,399,307
Non Depreciable	-	9,777,449	-	9,777,449
Total Assets	\$ 40,641,508	\$ 22,169,059	\$ 1,065,415	\$ 63,875,982
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 56,876	\$ 30,502	\$ -	\$ 87,378
Interfund Payable	-	-	20,000	20,000
Accrued Interest Payable	109,256	27,713	-	136,969
Deposits	-	204,513	-	204,513
Compensated Absences	29,689	33,529	-	63,218
Payroll Liabilities	30,330	38,780	-	69,110
Deferred Revenue	-	669	215,287	215,956
Bonds Payable, Current Portion	1,080,000	385,000	-	1,465,000
Bond Premium	22,320	11,005	-	33,325
Loans & notes, current portion	-	17,529	-	17,529
Total Current Liabilities	1,328,471	749,240	235,287	2,312,998
Noncurrent Liabilities				
Bonds Payable, Net	10,490,000	15,560,541	-	26,050,541
Loans & Notes, Net	-	884,565	-	884,565
Bond Premium	245,522	187,091	-	432,613
Bond Issuance Costs	(95,169)	(297,097)	-	(392,266)
Total Noncurrent Liabilities	10,640,353	16,335,100	-	26,975,453
Total Liabilities	11,968,824	17,084,340	235,287	29,288,451
Net Assets				
Invested in Capital Assets, Net of Related Debt	27,293,814	-	-	27,293,814
Retricted for				
Debt Service	-	-	273,232	273,232
System development	-	-	556,896	556,896
Unrestricted	1,378,870	5,084,719	-	6,463,589
Total Net Assets	\$ 28,672,684	\$ 5,084,719	\$ 830,128	34,587,531
				(1,968,433)
				\$ 32,619,098

See accompanying notes to the basic financial statements.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2011

	WASTEWATER FUND	WATER FUND	OTHER PROPRIETARY FUNDS	TOTALS CURRENT YEAR
OPERATING REVENUES				
Charges for Sales and Services	\$ 2,932,393	\$ 2,099,765	\$ -	\$ 5,032,158
Other Services	2,511	36,062	-	38,573
Total Operating Revenues	<u>2,934,904</u>	<u>2,135,827</u>	<u>-</u>	<u>5,070,731</u>
OPERATING EXPENSES				
Costs of Sales and Services	1,381,443	1,132,094	51,941	2,565,478
Administration	766,870	497,876	-	1,264,746
Depreciation	1,384,080	290,280	-	1,674,360
Total Operating Expenses	<u>3,532,393</u>	<u>1,920,250</u>	<u>51,941</u>	<u>5,504,584</u>
Net operating income (loss)	<u>(597,489)</u>	<u>215,577</u>	<u>(51,941)</u>	<u>(433,853)</u>
NONOPERATING REVENUES (EXPENSES)				
Property Taxes	-	-	1,515,373	1,515,373
Interest Income	6,391	53,100	4,062	63,553
Interest Expense	(299,549)	(14,434)	(510,693)	(824,676)
Systems Development Fees	-	-	264,161	264,161
Total Nonoperating Revenues (expenses)	<u>(293,158)</u>	<u>38,666</u>	<u>1,272,903</u>	<u>1,018,411</u>
Income Before Contributions and Transfers	(890,647)	254,243	1,220,962	584,558
Transfer In/Out	<u>8,260,482</u>	<u>236,337</u>	<u>(1,054,582)</u>	<u>7,442,237</u>
Change In Net Assets	7,369,835	490,580	166,380	8,026,795
Net Assets - Beginning of Year	21,302,849	4,594,139	734,815	26,631,803
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(71,067)</u>	<u>(71,067)</u>
Net Assets - End of Year	<u>\$ 28,672,684</u>	<u>\$ 5,084,719</u>	<u>\$ 830,128</u>	<u>34,587,531</u>
			Due to Governmental Activities	<u>(1,968,433)</u>
			Net Assets - Business Type	<u>\$ 32,619,098</u>

See accompanying notes to the basic financial statements.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2011

	WASTEWATER FUND	WATER FUND	OTHER PROPRIETARY FUNDS	TOTALS CURRENT YEAR
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 2,887,125	\$ 2,153,418	\$ 50,991	\$ 5,091,534
Payments to Suppliers	(1,859,815)	(1,069,829)	(140,441)	(3,070,085)
Payments to Employees	(500,963)	(643,920)	-	(1,144,883)
Net Cash Provided by Operating Activities	526,347	439,669	(89,450)	876,566
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer To/From Other Funds	8,260,482	236,337	(1,054,582)	7,442,237
Interfund Loans	(75,000)	(20,000)	20,000	(75,000)
SDC Fees	-	-	264,161	264,161
Property Taxes	-	-	1,515,373	1,515,373
Net Cash Provided (used) from Noncapital and Related Financing Activities	8,185,482	216,337	744,952	9,146,771
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt Issuance	400,000	-	-	400,000
Bond Premium	267,842	(11,005)	-	256,837
Bond Issuance Costs	(95,169)	16,506	-	(78,663)
Purchases of Capital Assets	(175,144)	(7,616,733)	-	(7,791,877)
Principal Paid on Debt	(9,048,657)	(431,718)	-	(9,480,375)
Interest Expense	(433,662)	(48,782)	(581,760)	(1,064,204)
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,084,790)	(8,091,732)	(581,760)	(17,758,282)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	6,391	53,100	4,062	63,553
Net Cash Provided (used) by Investing Activities	6,391	53,100	4,062	63,553
Net Increase, (Decrease) in Cash and Cash Equivalents	(366,570)	(7,382,626)	77,804	(7,671,392)
CASH AND CASH EQUIVALENTS - BEGINNING	1,496,762	14,060,133	749,614	16,306,509
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,130,192</u>	<u>\$ 6,677,507</u>	<u>\$ 827,418</u>	<u>\$ 8,635,117</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income	\$ (597,489)	\$ 215,577	\$ (51,941)	\$ (433,853)
Adjustments				
Depreciation/Amortization	1,384,081	290,280	-	1,674,361
(Increase), Decrease in Accounts Receivable	(47,779)	(3,950)	(23,546)	(75,275)
Increase (Decrease) in Deferred Revenue	-	445	74,537	74,982
Increase, (Decrease) in Accounts Payable	(221,894)	(86,935)	(88,500)	(397,329)
Increase, (Decrease) in Prepaid Expenses	625	-	-	625
Increase, (Decrease) in customer deposits	-	21,096	-	21,096
Increase, (Decrease) in Compensated Absences	5,422	3,012	-	8,434
Increase, (Decrease) in Payroll Liabilities	3,381	144	-	3,525
Net Cash From Operations	<u>\$ 526,347</u>	<u>\$ 439,669</u>	<u>\$ (89,450)</u>	<u>\$ 876,566</u>

See accompanying notes to the basic financial statements.

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Newport, Oregon, have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

THE FINANCIAL REPORTING ENTITY

The City of Newport operates under a council-manager form of government instituted by a vote of the people on May 18, 1962, effective as of July 1, 1962. It provides for a mayor, six councilors and a city manager. The mayor is elected for a term of two years and three councilors for four year terms every two years. The city manager, judge and city attorney are appointed positions.

The basic financial statements present the City and its blended component unit, the Newport Urban Renewal Agency (Agency), an entity for which the City is financially accountable, in accordance with GASB 39. The Agency, although a legally separate entity, is a part of the City's operations. It was organized to construct and administer capital improvements as outlined in the City's Urban Renewal Plan. The city council serves as its governing board. All activities of the Agency are recorded in capital construction funds and debt service funds. Complete financial statements for the Agency can be obtained at City Hall, Newport, Oregon 97365.

There are various other governmental agencies and special service districts which provide services within the City's boundaries. However, the City is not financially accountable for any of these entities and accordingly their financial information is not included in these financial statements.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be measurable to accrue as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

There are the following major governmental funds:

General Fund - This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. The principal revenue source is property taxes.

The Airport Fund - This fund reflects airport operations. Revenues supporting operations come primarily from transient room tax funds and receipts from fixed base operations (FBO).

Agate Beach Closure Fund – This fund accounts for financial resources and expenditures for the Agate Beach Disposal Site Closure. The primary source of revenues is collection fees charged through the disposal service company.

Room Tax Fund – This fund is for monitoring the marketing, advertising, community membership and economic development.

Capital Projects Fund – This fund accounts for capital projects of the governmental funds.

General Debt Service Fund – This fund accounts for debt service activity related to the general debt.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Blended Component Unit

Both Newport Urban Renewal Agency funds are reported as major governmental funds. Below is a description of these funds:

North Side Urban Renewal District

This fund accounts for the cost of major projects in the North Side Urban Renewal District and pays for or makes special payments to other funds to pay the principal and interest on outstanding debt utilized to finance the projects. The major source of revenue comes from property taxes.

South Beach Urban Renewal District

This fund tracks the capital projects being built in the South Beach Urban Renewal District along with the capital projects fund. The fund pays for or makes special payments to other funds to pay the principal and interest on outstanding debt utilized to finance the projects. The major sources of revenue are property taxes and state grants.

There are the following major proprietary funds:

Wastewater Fund – This fund accounts for the resources and expenses related to collection and treatment of wastewater. The primary source of revenue is user fees.

Water Fund - This fund reports financial activity related to supply, treatment and distribution of water, with the primary revenue coming from user fees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include leases and rent income, capital grants, and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources to the limits of the policies and statutes governing them first, then unrestricted resources as they are needed.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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

BUDGETS

A budget is prepared for each governmental fund type in accordance with the modified accrual basis of accounting and legal requirements set forth in Oregon Budget Law. Expenditures cannot legally exceed appropriation levels. In June, the annual fiscal year appropriated budget is adopted. The legally adopted budget may be amended when unexpected modifications are required in estimated revenues and appropriations. Unencumbered appropriations for annually budgeted funds lapse at the fiscal year-end.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires public notice, publication of supplemental budget, public hearing and approval by the City Council. Original and supplemental budgets may be modified by the City Council by the use of appropriation transfers between the levels of control. In addition, Oregon Budget Law provides certain specific exceptions to the supplemental budget process to increase appropriations. Such transfers and increases require approval by the City Council by adoption of a resolution. Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the City Council. Appropriations are limited to a single fiscal year; therefore, all spending authority lapses at year end. During 2010-11, several appropriation transfers were made.

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2011, except for the following:

Fund	Expenditure	Final Budget	Actual	Unappropriated Expenditure
General Fund	Non-Departmental	373,485	394,439	\$ (20,954)
Airport Fund	Transfers Out	201,203	201,331	\$ (128)
Capital Projects Fund	Transfers Out	-	13,231,795	\$ (13,231,795) (1)
Wastewater Fund	Wastewater Treatment Plant	818,428	1,164,420	\$ (345,992) (1)
Water Fund	Water Treatment	698,834	8,182,644	\$ (7,483,810) (1)
Water Fund	Water Fund	-	60,000	\$ (60,000) (1)
Wastewater SDC Fund	Transfers Out	29,500	94,582	\$ (65,082)

(1) These overexpenditures were a result of adjustments made to properly account for capital additions & debt service between proprietary and governmental funds.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash, Cash Equivalents and Investments

The cash management policies are governed by state statutes. Statutes authorize investing in specific types of investments, including time certificates of deposit, bankers acceptances and the Oregon State Treasurer's Local Government Investment Pool. The Local Government Investment Pool (LGIP) is part of the Oregon Short-Term fund maintained by the State Treasurer of Oregon. Its policies are governed by statutes and the Oregon Investment Council. Participation by local governments is voluntary. The reported value of the pool is the same as the fair value of pool shares.

Cash equivalents represent demand deposits as well as short-term investments with a maturity date within three months of the date acquired. Investments are stated at cost which approximates fair value.

Receivables

Activity between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not expendable available financial resources.

Property taxes are levied as of July 1 on property assessed as of January 1st. The tax levy is due November 15, with an optional payment method of 1/3 due November 15, 1/3 due January 15, and 1/3 due March 15. Taxes paid in full November 15 are provided a 3 percent discount. The billings are considered delinquent after the appropriate due date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Notes and contracts receivable are recorded at par. Interest assessed is recorded as revenue when the payment becomes due.

Receivables for federal and state grants, and state, county and local shared revenue are recorded as revenue in all funds as earned. The receivables for state, county and local shared revenue are recorded in accounts receivable.

Investment earnings (e.g., accrued interest receivable) are recorded as revenue in all fund types as earned on investments.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Supply Inventory

In the proprietary funds, inventory is valued at cost using the first-in/first-out (FIFO) method. In the governmental funds, no supply inventory is maintained as cost is expensed at the time of purchase. The exception is in the debt fund, where foreclosed land held for resale is recorded at the related lien plus cost of foreclosure.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of over one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized when projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is calculated using the straight line method. The estimated useful lives of capital assets are as follows:

Buildings & Structures	10-40 years
Infrastructure	20-50 years
Equipment	5-20 years
Vehicles	5 years

Compensated absences

It is policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Long-term obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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. Premiums received on debt issuances are 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.

Fund Equity

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. *Both the Finance Director & the Assistant Finance Director have been given the authority to assign fund balances.*
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Fund Equity (Continued)

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

Net Assets

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three categories.

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consists of all other net assets that are not included in the other categories previously mentioned.

2. CASH AND INVESTMENTS

Cash and Investments at June 30, 2011 (recorded at fair value) consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 939
Demand Deposits	9,900,299
Investments	<u>8,742,325</u>
Total	<u>\$ 18,643,563</u>
Government-Wide Presentation:	
Governmental Activities	\$ 10,008,446
Business Type Activities	<u>8,635,117</u>
Total	<u>\$ 18,643,563</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, deposits will not be recovered. There is no formal deposit policy for custodial credit risk. The total bank balance per the bank statements is \$10,133,046 of which \$843,887 is covered by federal depository insurance. The remaining was collateralized in accordance with Oregon law.

INVESTMENTS

As of June 30, 2011, there were the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's investment pool	\$ 8,742,325	\$ 8,742,325	\$ -	\$ -
Total	<u>\$ 8,742,325</u>	<u>\$ 8,742,325</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the value of the deposit will not be recovered. There is no formal investment policy for custodial credit risk. There are no investments that have a maturity date past three months. Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

Concentration of Credit Risk

At June 30, 2011, 100% of total investments were in the State Treasurer's Local Government Investment Pool (LGIP). State statutes do not limit the percentage of investments in the investment pool. Oregon Revised Statutes require no more than 25 percent of the moneys of a local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2011, investments were in compliance with all percentage restrictions.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. 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 of the LGIP.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

Amounts in the LGIP are not required to be collateralized. There is no material difference between the fair value of the City's position in the LGIP and the value of the pool shares at June 30, 2011. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

3. RECEIVABLES

Uncollected accounts receivables are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible accounts has been established.

Assessments receivable represent the uncollected amounts levied against benefited properties for the costs of local improvements. Since the assessments are liens against the properties, an allowance for uncollectible amounts is not deemed necessary by management. Assessments are payable over a period of ten years and bear interest at 6.467% to 10.1%.

The City has been involved as a conduit in a Low Income Housing Assistance grant, the purpose of which is to encourage development of affordable housing and improve deteriorated property. These loans are either being paid upon monthly or become due upon the sale or transfer of the benefitting properties. The notes are recorded in the Capital Projects and Special Revenue Funds. The additional small notes originating from the sale of properties are recorded in various funds.

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are levied on November 15 with collection dates: November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Taxes collected within approximately sixty days of the fiscal year end are recognized as revenue. The remaining balance of property taxes receivable is recorded as deferred revenue as it is not considered available to finance operations of the current period.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2011 are as follows:

GOVERNMENTAL ACTIVITIES CAPITAL ASSETS				
	July 1, 2010	Additions & Adjustments	Disposals & Adjustments	June 30, 2011
Capital Assets, not being depreciated				
Land	\$ 8,796,155	\$ 226,127	\$ -	\$ 9,022,282
Construction in Progress	2,049,191	4,388,830	(1,927,473)	4,510,548
Total, not being depreciated	10,845,346	4,614,957	(1,927,473)	13,532,830
Buildings & Structures	28,421,571	26,585	-	28,448,156
Equipment	3,615,798	-	-	3,615,798
Vehicles	3,689,287	787,695	-	4,476,982
Infrastructure	26,054,958	2,074,742	-	28,129,700
Total, being depreciated	61,781,614	2,889,022	-	64,670,636
Less Accumulated Depreciation				
Buildings & Structures	(14,707,995)	(679,331)	-	(15,387,326)
Equipment	(3,214,893)	(75,645)	-	(3,290,538)
Vehicles	(2,320,279)	(283,582)	-	(2,603,861)
Infrastructure	(9,325,695)	(420,538)	-	(9,746,233)
Total Accumulated Depreciation	(29,568,862)	(1,459,096)	-	(31,027,958)
Total Capital Assets being Depreciated, net	32,212,752	4,348,118	-	33,642,678
Governmental Activities Capital Assets, net	\$ 43,058,098	\$ 8,963,075	\$ (1,927,473)	\$ 47,175,508

Depreciation expense was charged to the functions as follows:

Governmental Activities:

General Government	\$ 318,911
Public Safety	565,837
Streets	74,845
Economic Development	202,638
Culture and Recreation	296,865
Total depreciation expense, governmental activities	\$ 1,459,096

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS (CONTINUED)

	BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS			
	July 1, 2010	Additions & Adjustments	Disposals & Adjustments	June 30, 2011
Capital Assets, not being depreciated				
Land	\$ 244,606	\$ -	\$ -	244,606
Construction in Progress	3,401,806	7,545,935	(1,414,899)	9,532,842
Total, not being depreciated	3,646,412	7,545,935	(1,414,899)	9,777,448
Buildings & Structures	12,396,802	-	-	12,396,802
Equipment	1,248,777	-	-	1,248,777
Vehicles	779,106	-	-	779,106
Infrastructure	49,886,096	1,763,218	(102,376)	51,546,938
Total, being depreciated	64,310,781	1,763,218	(102,376)	65,971,623
Less Accumulated Depreciation				
Buildings & Structures	(8,610,866)	(313,033)	-	(8,923,899)
Equipment	(936,135)	(54,262)	-	(990,397)
Vehicles	(441,296)	(47,977)	-	(489,273)
Infrastructure	(9,909,658)	(1,259,088)	-	(11,168,746)
Total Accumulated Depreciation	(19,897,955)	(1,674,360)	-	(21,572,315)
Total Capital Assets being Depreciated, net	44,412,826	3,437,578	(102,376)	44,399,308
Business-Type Activities Capital Assets, net	\$ 48,059,238	\$ 10,983,513	\$ (1,517,275)	\$ 54,176,756

Depreciation expense was charged to the functions as follows:

Business-type Activities:

Water Operations	\$ 290,280
Sewer Operations	1,384,080
Total depreciation expense, business-type activities	\$ 1,674,360

5. LAND HELD FOR RESALE

Properties securing special assessments were foreclosed on. When the right of redemption expired, the properties were deeded to the City. These properties are recorded at the cost of the assessment, foreclosure costs and interest expense in the Debt Service Funds. These properties are being sold as a means of financing the related debt service costs. As of June 30, 2011 there was \$9,751 in Land Held for Resale.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. INTERFUND RECEIVABLE/ PAYABLE

The compositions of interfund balances as of June 30, 2011, are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 196,814	\$ -
Room Tax	33,500	-
Street Fund	-	118,961
Airport Fund	-	111,353
Water Fund	20,000	-
Other Proprietary Funds	-	20,000
	<hr/>	<hr/>
Total Funds	<u>\$ 250,314</u>	<u>\$ 250,314</u>

The purpose of the interfund loans was to finance operations between funds.

7. LONG-TERM DEBT

General obligation bonds are issued to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The original amount of bonds outstanding that were issued in prior years was \$26,240,541. Current general obligation bonds outstanding are as follows:

	<u>Business-type</u>
1998 Water System Imp., issued January 1998, rates 4% - 4.55%, maturing 2012	\$ 135,000
2008 Sewer Bonds, April 2008, rate 3.5%, maturing 2019	6,410,000
2009 Water Improvement Bonds - Series A rate 3.5% - 5%, maturing 2020	6,180,000
2009 Water Improvement Bonds - Series B rate 3.5%, maturing 2029	9,630,541
	<hr/>
Total Funds	<u>\$ 22,355,541</u>

Annual debt requirements to maturity for business – type general obligation bonds are as follows:

<u>FOR THE YEAR</u>		
<u>ENDED</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2011-2012	\$ 1,080,000	\$ 474,217
2012-2013	1,225,000	436,250
2013-2014	1,325,000	395,875
2014-2015	1,425,000	2,170,625
2015-2016	1,540,000	300,750
2016-2021	7,974,213	561,900
2021-2026	5,150,950	-
2026-2031	2,635,379	-
	<hr/>	<hr/>
	<u>\$ 22,355,541</u>	<u>\$ 4,339,617</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

The City of Newport and Newport Urban Renewal Agency have signed cooperative agreements to build or renovate properties. Below is a summary of the bonds by type of fund where they are recorded:

Full Faith & Credit Refunding Obligations, Series 2010A. Issued July 2010 in the amount of \$5,560,000 to refinance a loan agreement with the Oregon DEQ to help finance a portion of the City's wastewater treatment plant. Interest rates range from 2-4.25%, with maturity June 15, 2023. The old bonds were called on July 14, 2010. The new bonds were issued at a premium of \$290,162 with bond issue costs totaling \$103,100.

Full Faith & Credit Refunding Obligations, Series 2010B. Issued July 2010 in the amount of \$8,465,000 to refinance one loan agreement with the Oregon DEQ (loan # 68931) and two loan agreements with the Oregon Business Development Department (OBDD), formerly the Oregon Economic and Community Development Department (OECDD), which were issued to help finance a portion of the City's wastewater treatment plant. An additional \$2,000,000 was borrowed as part of the refunding to help finance transportation infrastructure improvements, which will enhance access to the Pacific Marine Operation Center. Interest rates range from .02-4.5%, with maturity June 15, 2023. The DEQ loan was considered a current refunding and was called on July 14, 2010. The OBDD loans were advanced refunded, whereby \$3,711,619 was used to purchase United States Government obligations, which were deposited into an escrow account. These funds were sufficient to call the bonds on January 1, 2011. The new bonds were issued at a premium of \$276,407 with bond issue costs totaling \$129,484.

	5,995,304	-
Total City Allocation	5,995,304	-
Total URA Allocation	1,854,696	-
Total Business Type Activities	-	5,160,000
Total Bonds Under Cooperative Agreements	\$ 7,850,000	\$ 5,160,000

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

	Governmental	Business-type
Other/Loans Bonds		
Series "2007" Urban Renewal Bond from Bank of America, issued May 2007 for \$900,000 to finance the 4B storm drain project in the South Beach urban growth area. The interest rate is 5.25% maturing June 2017.	\$ 596,000	\$ -
Series "2008" Urban Renewal Bond from Bank of America, issued May 2008 for \$2,530,000 to finance projects in the South Beach urban growth area. The interest rate is 4.25% maturing June 2018.	1,880,000	-
Certificates of Participation, Series 2007B from The League of Oregon Cities Cooperative Asset Financing Program, issued October 2007 for \$1,015,000 to finance various City purchases and to pay off the Municipal Airport Debt. The interest rate is 3.9% to 5.0% maturing July 2024.	555,000	-
Certificates of Participation, Series 2009B from The League of Oregon Cities Cooperative Asset Financing Program, issued September 2009 for \$2,580,000 to finance the Bay Boulevard project. The interest rate is 3.9% to 5.0% maturing 2019.	2,070,000	-
The City entered into an agreement with Seal Rock Water District to assume responsibility to provided services for an area of property. In return the City agreed to pay the District \$958,502. The interest rate is 4.75% maturing November 2037.	-	902,094
	-	902,094
Total City Allocation	2,625,000	-
Total URA Allocation	2,476,000	-
Total Business-Type Activities	-	902,094
Total Other Loans/Bonds	\$ 5,101,000	\$ 902,094
 Total Bonds Under Cooperative Agreements & Other Loans/ Bonds	 \$ 12,951,000	 \$ 6,062,094

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

Annual debt requirements to maturity for bonds under cooperative agreements and other loans/bonds are as follows:

GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
YEAR	PRINCIPAL	INTEREST	YEAR	PRINCIPAL	INTEREST
2011-2012	\$ 1,372,000	\$ 452,773	2011-2012	\$ 402,529	\$ 234,427
2012-2013	1,407,000	414,788	2012-2013	413,380	222,026
2013-2014	1,326,000	367,953	2013-2014	424,272	209,284
2014-2015	1,212,000	324,461	2014-2015	435,208	196,198
2015-2016	1,257,000	283,488	2015-2016	446,189	182,248
2016-2021	5,187,000	745,905	2016-2021	2,477,410	637,190
2021-2026	1,190,000	71,425	2021-2026	935,153	188,835
			2026-2031	196,653	103,347
			2031-2036	249,254	50,746
			2036-2041	82,047	2,954
	<u>\$ 12,951,000</u>	<u>\$ 2,660,793</u>		<u>\$ 6,062,094</u>	<u>\$ 2,027,254</u>

Capital Leases

There are two lease purchase agreements:

	<u>Governmental</u>
Dell Financing Services Lease #810-0088799779-002	\$ 18,064
Leaf Funding, Inc. - Airport Copier Lease Purchase	<u>3,537</u>
Total Capital Leases	<u>\$ 21,601</u>

Annual debt requirements to maturity are as follows:

YEAR	PRINCIPAL	INTEREST
2011-2012	\$ 11,409	\$ 869
2012-2013	9,266	242
2013-2014	926	-
	<u>\$ 21,601</u>	<u>\$ 1,111</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

Long-Term Debt activity for the year ended June 30, 2011, is as follows:

CHANGES IN LONG-TERM DEBT					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
City					
Bonds Under Coop Agreements	\$ 422,929	\$ 6,465,000	\$ 892,625	\$ 5,995,304	\$ 492,608
Other Loans/Bonds	3,248,100	-	623,100	2,625,000	405,000
Capital Leases	32,420	-	10,819	21,601	11,409
Bond Premium	-	211,101	16,239	194,862	21,262
Newport URA					
Bonds Under Coop Agreements	-	2,000,000	145,304	1,854,696	152,392
Other Loans/Bonds	2,798,474	-	322,474	2,476,000	322,000
Bond Premium	-	65,306	5,026	60,280	5,024
Governmental activities Long-Term Debt	\$ 6,501,923	\$ 8,741,407	\$ 2,015,587	\$ 13,227,743	\$ 1,409,695
Business-type Activities:					
General Obligation Bonds	23,315,541	-	960,000	22,355,541	1,080,000
Other Bonds	-	5,560,000	400,000	5,160,000	385,000
Notes Payable	14,182,469	-	13,280,375	902,094	17,529
Bond Premium	209,101	290,162	33,325	465,938	33,325
Business-type Activities Long-Term Debt	\$ 37,707,111	\$ 5,850,162	\$ 14,673,700	\$ 28,883,573	\$ 1,515,854
Total Long-Term Debt	\$ 44,209,034	\$ 14,591,569	\$ 16,689,287	\$ 42,111,316	\$ 2,925,549
Compensated Absences					
Governmental	404,629	-	57,587	347,042	347,042
Business Type	54,783	8,435	-	63,218	63,218
Total Compensated Absences	\$ 459,412	\$ 8,435	\$ 57,587	\$ 410,260	\$ 410,260

8. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to cover these risks. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

9. RETIREMENT PLANS

A cost-sharing multiple-employer plan is provided that covers all fire and police employees; and a combined single-employer defined benefit contribution money purchase plan for eligible employees. Below is a summary of each plan.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. RETIREMENT PLANS (CONTINUED)

PENSION- FIRE & POLICE

Plan Description

Contributions are made to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple employer pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, postemployment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238. ORS Chapter 238.620 establishes the Public Employees Retirement Board as the governing body of PERS.

The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. PERS issues a publicly available financial report that includes financial and required supplementary information. That report may be obtained by writing to PERS, PO Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

Funding Policy

All regular fire and police employees participate in the Plan with the City contributing 6% for the employee share. ORS 238.225 requires contributions at an actuarially determined rate which is 8.96% for PERS, 1.62% for Oregon Public Service Retirement Plan (OPSRP) general services, and 4.33% for OPSRP police services for the current year. Contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

For the fiscal years ending June 30, 2011, 2010, and 2009, the annual pension cost of \$256,721, \$257,788, and \$314,313 respectively, was equal to the required and actual contributions. The required contributions and liabilities were determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. Because all OPERS employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation. The contributions actually made are equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (a) a rate of return of 8.0% per year, net of investment and administrative expenses (assumed earnings rate for purposes of Tier One guaranteed interest credit); (b) wage growth of 4.25% per year, excluding merit or longevity increases; (c) projected post-retirement benefit increases of 2.0% per year; (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of OPERS; (e) consumer price inflation of 3.5% per year; and (f) future interest credits of 8.5% for Tier One and 8.0% for Tier Two. Unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty-year period on an open basis.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. RETIREMENT PLANS (CONTINUED)

EMPLOYEE'S RETIREMENT PLAN

Plan Description

The City contributes to the City of Newport Employee's Retirement Plan, administered by the Retirement Board for the purpose of providing all of its eligible regular employees of the City with retirement benefits. The investments of the Plan are administered by the Board of Trustees consisting of five members. The Plan is a combined single-employer defined benefit and defined contribution money purchase plan, qualifying under Sections 401(a) of the Internal Revenue Code.

An employee's basic benefit under the Plan is a monthly pension for life equal to the sum of the following:

A Money Purchase benefit, which is an annuity equal in value to the combined balances of employee and Purchase accounts,

A Defined Benefit, which is equal to the benefit years times 1.2% of the average monthly earnings, and

A voluntary contribution benefit, which is an annuity equal in value to the balance of the voluntary contribution account.

A full time employee is eligible to become a member in the Plan the first of the month following six months of service. Effective January 1, 1983, benefits for police and fire employees are provided through the Oregon Public Employee Retirement system.

The plan provides death and disability benefits under the defined benefit portion of the plan. Disability or death also allows for full withdrawal of defined contribution (money purchase) account balances.

Authority to establish and amend the benefit provisions of the Plan rests with the Retirement Board. A separately issued actuarial report is available from the Retirement Board. That report may be obtained from the City of Newport, 169 SW Coast Hwy, Newport, Oregon 97365, 541-574-0615.

Defined Contribution – Money Purchase

The City contributes 6% of compensation into the defined contribution (money purchase) plan and members may contribute up to 10% of compensation on a voluntary basis. At retirement, this amount provides an additional annuity equal in value to the combined balances of the participant's employee and employer accounts. Conversion of accounts to annuities shall be based on actuarial equivalency. The employer's contribution met the recommended required contribution for the current and prior years.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. RETIREMENT PLANS (CONTINUED)

EMPLOYEE'S RETIREMENT PLAN

Three-Year Trend information
Defined Contribution – Money Purchase

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>% of Annual Pension Cost Contributed</u>
6/30/09	\$ 179,168	100%
6/30/10	193,971	100%
6/30/11	188,958	100%

Defined Benefit

The defined benefit portion of the plan provides for a monthly pension equal to benefit years times 1.2% of average monthly earnings. The defined benefit portion of the normal retirement basic benefit shall not be less than the greatest retirement defined benefit the participant could have received. Average monthly earnings means the average of the participant's monthly earnings in the three consecutive plan years of highest compensation in the last ten years of employment.

The funding policy of the defined portion provides for actuarially determined periodic contributions at rates that over time provide sufficient assets available to pay benefits when due. For the current fiscal year, \$399,465 was contributed to the plan. The plan's normal cost is \$390,397 with interest plus amortization (over 30 years) of the plans unfunded actuarial accrued liability with interest. At June 30, 2011 the net pension obligation is \$0.

The annual required contribution to the defined benefit plan was computed as part of an actuarial valuation performed as of July 1, 2011. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 6%, (b) projected salary increases of 3% per year in addition to salary increases due to promotions and longevity.

Assets of the plan are reported at fair market value at the beginning of the year plus receivables from the prior year. The Projected Unit Credit Cost Method was used to determine the normal cost and actuarial accrued liability for retirement, termination, and ancillary benefits.

Below is a summary of the annual pension cost recommended at the beginning of each year, contributions made and resulting obligation. Annual pension cost reflects normal cost, amortization and interest charges, and the net obligation carryover from the previous year.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. RETIREMENT PLANS (CONTINUED)

Three-Year Trend information			
Defined Benefit			
<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>% of Annual Pension Cost Contributed</u>	<u>Net Provider Obligation</u>
6/30/09	\$ 399,465	93.6%	\$ 25,603
6/30/10	431,651	85.3%	63,305
6/30/11	390,397	100.0%	-

Post Employment Benefits

Post - retirement health care benefits are provided for retirees, with the cost of the premium (100%) borne by the retiree.

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The actuary determined that there is no other post employment benefit liability under GASB statement No. 45.

11. OPERATING LEASES

Ten operating leases were entered into for computer systems and copiers. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
6/30/12	\$ 14,051
6/30/13	<u>2,552</u>
Total	<u>\$ 16,603</u>

12. PROPERTY TAX LIMITATION

The State of Oregon imposes a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

13. DEFICIT FUND BALANCE

As of June 30, 2011, the Street Fund has a negative fund balance of \$75,196. This will be eliminated in 2011-12 by transferring in funds from the General Fund.

14. COMMITMENTS AND CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes any disallowance would be immaterial.

15. PRIOR PERIOD ADJUSTMENTS

Prior Period Adjustments were required in the Water SDC & the Wastewater SDC funds for (\$23,689) and (\$47,378) respectively because SDC revenue was overstated in prior years. This revenue should have been deferred since it was not received within sixty days of year end.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

Individual Major Governmental Fund Statements

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUND PROGRESS
TREND INFORMATION
For the Year Ended June 30, 2011

EMPLOYEE'S RETIREMENT PLAN

DEFINED BENEFIT - EXCLUSIVE OF MONEY PURCHASE

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Act. Liab.	Funded Percent	Covered Payroll	UAL/ Payroll
7/1/2009	\$ 3,411,775	\$ 5,578,867	\$ 2,167,092	61%	\$ 2,647,845	82%
7/1/2010	3,769,937	6,136,594	2,366,657	61%	2,932,240	81%
7/1/2011	3,663,397	5,904,902	2,241,505	62%	2,887,270	78%

DEFINED CONTRIBUTION - MONEY PURCHASE

Actuarial Valuation Date	Actuarial Value of Assets	Vested Amount	Funded Percent
7/1/2009	\$ 2,786,588	\$ 2,637,861	106%
7/1/2010	3,184,262	N/A*	N/A*
7/1/2011	3,730,070	N/A*	N/A*

* Vested amount not available in the June 30, 2010 & 2011 Defined Contribution valuation.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

<u>GENERAL FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET (NEGATIVE)
REVENUES				
Property Taxes	\$ 5,385,000	\$ 5,385,000	\$ 5,419,811	\$ 34,811
Other Taxes	50,000	50,000	52,566	2,566
Fees	1,078,250	1,078,250	1,129,150	50,900
Intergovernmental	726,000	726,000	735,106	9,106
Grants	66,500	66,500	77,830	11,330
Gifts & Donations	500	500	145	(355)
Fines	164,070	164,070	210,133	46,063
Rents and Leases	102,000	102,000	113,138	11,138
Interest	2,000	2,000	8,759	6,759
Services Provided	1,042,140	1,042,140	1,012,610	(29,530)
Miscellaneous	60,000	60,000	215,269	155,269
Total Revenue	<u>8,676,460</u>	<u>8,676,460</u>	<u>8,974,517</u>	<u>298,057</u>
EXPENDITURES				
City Administration	1,344,314	1,359,314 (1)	1,351,595	7,719
Public Safety	4,373,560	4,373,560 (1)	4,331,608	41,952
Community Development	377,040	377,040 (1)	357,584	19,456
Library	968,325	968,325 (1)	934,145	34,180
Public Works	756,713	756,713 (1)	695,306	61,407
Non-Departmental	423,485	373,485 (1)	394,439	(20,954)
Contingency	501,610	65,211 (1)	-	65,211
Total Expenditures	<u>8,745,047</u>	<u>8,273,648</u>	<u>8,064,677</u>	<u>208,971</u>
Excess of Revenues Over (Under) Expenditures	(68,587)	402,812	909,840	507,028
OTHER FINANCING SOURCES (USES)				
Transfers In	1,869,616	1,869,616	699,539	(1,170,077)
Transfers Out	(1,978,806)	(2,450,205) (1)	(2,396,279)	53,926
Total Other Financing Sources (Uses)	<u>(109,190)</u>	<u>(580,589)</u>	<u>(1,696,740)</u>	<u>(1,116,151)</u>
Net Change in Fund Balance	(177,777)	(177,777)	(786,900)	(609,123)
FUND BALANCE - BEGINNING OF YEAR	<u>177,777</u>	<u>177,777</u>	<u>1,986,858 (2)</u>	<u>1,809,081</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,199,958</u>	<u>\$ 1,199,958</u>

(1) Appropriation Level

(2) Reconciliation of Beginning Fund Balance

2010 General Fund Ending Balance	\$ 867,413
2010 Fire Reserve Fund Ending Balance	1,119,445
	<u>\$ 1,986,858</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

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

For the Year Ended June 30, 2011

	<u>AIRPORT FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Grants	\$ 1,420,000	\$ 1,660,000	\$ 1,697,766	\$ 37,766
Leases and Rentals	52,000	52,000	47,807	(4,193)
Interest on Investments	-	-	12	12
Service Provided	32,000	32,000	32,000	-
Miscellaneous	10,300	10,300	20,743	10,443
Other - Fuel & Supplies	276,950	363,950	382,746	18,796
Total Revenues	<u>1,791,250</u>	<u>2,118,250</u>	<u>2,181,074</u>	<u>62,824</u>
EXPENDITURES				
Aviation	1,661,563	1,927,763 (1)	1,927,692	71
Fixed Base Operation	340,079	434,379 (1)	434,375	4
Contingency	23,167	23,167 (1)	-	23,167
Total Expenditures	<u>2,024,809</u>	<u>2,385,309</u>	<u>2,362,067</u>	<u>23,242</u>
Excess of Revenues Over (Under) Expenditures	(233,559)	(267,059)	(180,993)	86,066
OTHER FINANCING SOURCES (USES)				
Transfers In	434,762	468,262	582,728	(114,466)
Transfers Out	(201,203)	(201,203) (1)	(201,331)	(128)
Total Other Financing Sources (Uses)	<u>233,559</u>	<u>267,059</u>	<u>381,397</u>	<u>114,338</u>
Net Change in Fund Balance	-	-	200,404	200,404
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>(177,660) (2)</u>	<u>(177,660)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,744</u>	<u>\$ 22,744</u>

(1) Appropriation Level

(2) Reconciliation of Beginning Fund Balance

2010 Airport Fund Ending Balance	\$ (20,503)
2010 Airport FBO Fund Ending Balance	(157,157)
	<u>\$ (177,660)</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

<u>AGATE BEACH CLOSURE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Agate Beach Closure Fees	\$ 12,000	\$ 12,000	\$ 10,389	\$ (1,611)
Interest on Investments	15,000	15,000	6,004	(8,996)
Total Revenues	<u>27,000</u>	<u>27,000</u>	<u>16,393</u>	<u>(10,607)</u>
EXPENDITURES				
Materials & Services	107,307	107,307 (1)	40,641	66,666
Contingency	1,372,336	1,372,336 (1)	-	1,372,336
Total Expenditures	<u>1,479,643</u>	<u>1,479,643</u>	<u>40,641</u>	<u>1,439,002</u>
Net Change in Fund Balance	(1,452,643)	(1,452,643)	(24,248)	1,428,395
FUND BALANCE - BEGINNING OF YEAR	<u>1,452,643</u>	<u>1,452,643</u>	<u>1,500,583</u>	<u>47,940</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,476,335</u>	<u>\$ 1,476,335</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

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

For the Year Ended June 30, 2011

	<u>ROOM TAX FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Transient Room Tax	\$ 2,524,000	\$ 2,524,000	\$ 2,297,243	\$ (226,757)
Fees	-	-	7,504	7,504
Interest on Investments	22,100	22,100	4,992	(17,108)
Total Revenues	<u>2,546,100</u>	<u>2,546,100</u>	<u>2,309,739</u>	<u>(236,361)</u>
EXPENDITURES				
Materials and Services	1,091,245	1,057,745 (1)	956,322	101,423
Capital Outlay	25,000	25,000 (1)	10,191	14,809
Total Expenditures	<u>1,116,245</u>	<u>1,082,745</u>	<u>966,513</u>	<u>116,232</u>
Excess of Revenues Over (Under) Expenditures	1,429,855	1,463,355	1,343,226	(120,129)
OTHER FINANCING SOURCES (USES)				
Payback of Waste Water Fund Loan	77,900	77,900	77,900	-
Transfers Out	(1,836,442)	(1,836,442) (1)	(1,568,286)	268,156
Net Change in Fund Balance	(328,687)	(295,187)	(147,160)	148,027
FUND BALANCE - BEGINNING OF YEAR	<u>1,328,687</u>	<u>1,328,687</u>	<u>1,360,712</u>	<u>32,025</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,000,000</u>	<u>\$ 1,033,500</u>	<u>\$ 1,213,552</u>	<u>\$ 180,052</u>

(1) Appropriation Level

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SUPPLEMENTARY INFORMATION

Combining, Individual Fund, and
Other Financial Schedules

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

<u>CAPITAL PROJECTS FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Interest on Investments	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Materials and Services	20,355,080	- (1)	-	-
Capital Outlay	-	20,355,080 (1)	5,270,178	15,084,902
Contingency	1,071,320	1,071,320 (1)	-	1,071,320
Total Expenditures	21,426,400	21,426,400	5,270,178	16,156,222
Excess of Revenues Over (Under) Expenditures	(21,426,400)	(21,426,400)	(5,270,178)	16,156,222
OTHER FINANCING SOURCES (USES)				
Transfers In	21,426,400	21,426,400	19,403,261	(2,023,139)
Transfers Out	-	-	(13,231,795) (1)	(13,231,795)
Total Other Financing Sources (Uses)	21,426,400	21,426,400	6,171,466	(15,254,934)
Net Change in Fund Balance	-	-	901,288	901,288
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 901,288</u>	<u>\$ 901,288</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

<u>GENERAL DEBT SERVICE FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Interest on Investments	\$ 10,000	\$ 10,000	\$ 392	\$ (9,608)
Total Revenues	10,000	10,000	392	(9,608)
EXPENDITURES				
Wastewater General Loans	2,207,881	16,707,881 (1)	-	16,707,881
LOCAP Debt Service	482,229	482,229 (1)	481,056	1,173
General Water Debt	60,000	60,000 (1)	-	60,000
Recreation Center Loan Debt Service	3,400,000	3,400,000 (1)	233,213	3,166,787
Contingency	190,805	190,805 (1)	-	190,805
Total Expenditures	6,340,915	20,840,915	714,269	20,126,646
Excess of Revenues Over (Under) Expenditures	(6,330,915)	(20,830,915)	(713,877)	20,117,038
OTHER FINANCING SOURCES (USES)				
Refunding Bond Proceeds - Principal - 2010 B	-	14,500,000	6,465,000	(8,035,000) *
Refunding Bond Proceeds - Premium - 2010 B	-	-	211,101	211,101
Refunding Bond Issuance Costs - 2010 B	-	-	(65,791)	(65,791) *
Special Payments	4,979,910	4,979,910	1,869,088	(3,110,822) *
Transfers In	1,146,676	1,146,676	1,505,698	359,022
Transfers Out	-	- (1)	(8,364,645)	(8,364,645) *
Total Other Financing Sources (Uses)	6,126,586	20,626,586	1,620,451	(19,006,135)
Net Change in Fund Balance	(204,329)	(204,329)	906,574	1,110,903
FUND BALANCE - BEGINNING OF YEAR	204,329	204,329	(335,948)	(540,277)
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 570,626	\$ 570,626

* This is not a budget violation because over-expenditure is due to a bond refunding which under ORS 294.326 (5) is not required to be appropriated.

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

NORTH SIDE URBAN RENEWAL DISTRICT DEBT SERVICE

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes	\$ 425,000	\$ 425,000	\$ 641,197	\$ 216,197
Interest on Investments	10,000	10,000	1,430	(8,570)
Total Revenues	435,000	435,000	642,627	207,627
EXPENDITURES				
Materials & Services	23,114	33,114 (1)	33,057	57
Capital Outlay	-	8,600 (1)	8,589	11
Debt Service	459,142	491,842 (1)	447,071	44,771
Special Payments	4,165,198	4,165,198 (1)	1,054,376	3,110,822
Contingency Account	116,506	65,206 (1)	-	65,206
Total Expenditures	4,763,960	4,763,960	1,543,093	3,220,867
Excess of Revenues Over (Under) Expenditures	(4,328,960)	(4,328,960)	(900,466)	3,428,494
FUND BALANCE - BEGINNING OF YEAR	4,328,960	4,328,960	1,227,834	(3,101,126)
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 327,368	\$ 327,368

(1) Appropriation Level

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

SOUTH BEACH URBAN RENEWAL DISTRICT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes	\$ 1,904,000	\$ 1,904,000	\$ 1,936,847	\$ 32,847
Intergovernmental	66,000	66,000	25,734	(40,266)
Grants	1,100,000	1,100,000	1,100,000	-
Interest on Investments	25,000	25,000	10,357	(14,643)
	<u>3,095,000</u>	<u>3,095,000</u>	<u>3,072,938</u>	<u>(22,062)</u>
EXPENDITURES				
Materials & Services	91,031	91,031 (1)	26,814	64,217
Capital Outlay	-	226,200 (1)	226,127	73
Debt Service	448,308	448,308 (1)	1,314,971	(866,663) *
Special Payments	814,712	814,712 (1)	814,712	-
Contingency	2,573,550	2,347,350 (1)	-	2,347,350
	<u>3,927,601</u>	<u>3,927,601</u>	<u>2,382,624</u>	<u>1,544,977</u>
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	(832,601)	(832,601)	690,314	1,522,915
OTHER FINANCING SOURCES (USES)				
Bond Proceeds - Principal	2,000,000	2,000,000	2,000,000	-
Bond Proceeds - Premium	-	-	65,306	65,306
Bond Issuance Costs	-	-	(63,693)	(63,693) *
Transfers Out	(4,110,000)	(4,110,000) (1)	(4,040,000)	70,000
	<u>(2,110,000)</u>	<u>(2,110,000)</u>	<u>(2,038,387)</u>	<u>71,613</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	(2,942,601)	(2,942,601)	(1,348,073)	1,594,528
FUND BALANCE - BEGINNING OF YEAR	<u>2,942,601</u>	<u>2,942,601</u>	<u>2,920,460 (2)</u>	<u>(22,141)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,572,387</u>	<u>\$ 1,572,387</u>

* This is not a budget violation because over-expenditure is due to a bond refunding which under ORS 294.326 (5) is not required to be appropriated.

(1) Appropriation Level

(2) Reconciliation of Beginning Fund Balance

2010 South Beach Debt Service Fund Ending Balance	\$ 2,124,771
2010 South Beach Construction Fund Ending Balance	795,689
	<u>\$ 2,920,460</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2011

	BUILDING INSPECTION FUND	STREET FUND	LINE UNDER GROUND FUND	PUBLIC PARKING FUND	PARKS & RECREATION FUND
ASSETS					
Cash and Cash Equivalents	\$ 758,075	\$ -	\$ 375,089	\$ 321,105	\$ 9,620
Receivables	2,188	98,088	10,472	41,202	401,689
Total Assets	<u>\$ 760,263</u>	<u>\$ 98,088</u>	<u>\$ 385,561</u>	<u>\$ 362,307</u>	<u>\$ 411,309</u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES					
Accounts Payable	\$ 45,084	\$ 34,219	\$ -	\$ -	\$ 20,209
Payroll and Payroll Taxes Payable	1,116	20,104	-	-	44,477
Deferred Revenue	-	-	-	7,668	27,697
Interfund Payable	-	118,961	-	-	-
Total Liabilities	<u>46,200</u>	<u>173,284</u>	<u>-</u>	<u>7,668</u>	<u>92,383</u>
Fund Balances					
Restricted:					
System Development	-	-	-	-	-
Committed					
Building Inspections	714,063	-	-	-	-
Underground Lines	-	-	385,561	-	-
Pulic Parking	-	-	-	354,639	-
Parks & Recreation	-	-	-	-	318,926
Unassigned	-	(75,196)	-	-	-
Total Fund Balances	<u>714,063</u>	<u>(75,196)</u>	<u>385,561</u>	<u>354,639</u>	<u>318,926</u>
Total Liabilities and Fund Balances	<u>\$ 760,263</u>	<u>\$ 98,088</u>	<u>\$ 385,561</u>	<u>\$ 362,307</u>	<u>\$ 411,309</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011

STREETS SDC FUND	PARKS SDC FUND	STORM DRAIN SDC FUND	TOTAL
\$ 469,170	\$ 89,733	\$ 65,538	\$ 2,088,330
16,759	-	-	570,398
<u>\$ 485,929</u>	<u>\$ 89,733</u>	<u>\$ 65,538</u>	<u>\$ 2,658,728</u>
\$ -	\$ -	\$ (245)	\$ 99,267
-	-	-	65,697
16,759	-	-	52,124
-	-	-	118,961
<u>16,759</u>	<u>-</u>	<u>(245)</u>	<u>336,049</u>
469,170	89,733	65,783	624,686
-	-	-	714,063
-	-	-	385,561
-	-	-	354,639
-	-	-	318,926
-	-	-	(75,196)
<u>469,170</u>	<u>89,733</u>	<u>65,783</u>	<u>2,322,679</u>
<u>\$ 485,929</u>	<u>\$ 89,733</u>	<u>\$ 65,538</u>	<u>\$ 2,658,728</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	BUILDING INSPECTION FUND	STREET FUND	LINE UNDER GROUNDING FUND	PUBLIC PARKING FUND	PARKS & RECREATION FUND
REVENUES					
Other Taxes	\$ -	\$ 650,569	\$ 142,389	\$ -	\$ -
Interest	2,698	13	1,812	1,170	634
License & Fees	380,958	102,871	-	23,735	608,843
Grants/Donations	-	253,807	-	-	606,562
Interfund Services	-	114,226	-	-	-
Other Revenue	31,475	42,118	-	-	20,947
Total Revenues	415,131	1,163,604	144,201	24,905	1,236,986
EXPENDITURES					
Current Operation					
Streets	-	556,886	3,962	-	-
Culture and Recreation	-	-	-	-	1,337,249
Economic Development	225,232	-	-	1,912	-
Capital Outlay	-	-	138,911	-	-
Total Expenditures	225,232	556,886	142,873	1,912	1,337,249
Excess of Revenues Over (Under) Expenditures	189,899	606,718	1,328	22,993	(100,263)
OTHER FINANCING SOURCES (USES)					
Transfer In	-	314,723	-	-	1,041,243
Transfer Out	-	(348,573)	(70,649)	(7,611)	(624,780)
Total Other Financing Sources (Uses)	-	(33,850)	(70,649)	(7,611)	416,463
Net Change in Fund Balance	189,899	572,868	(69,321)	15,382	316,200
FUND BALANCES - BEGINNING OF YEAR	524,164	(648,064)	454,882	339,257	2,726
FUND BALANCES - END OF YEAR	\$ 714,063	\$ (75,196)	\$ 385,561	\$ 354,639	\$ 318,926

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

STREETS SDCs FUND	PARKS SDC FUND	STORM DRAIN SDC FUND	TOTAL
\$ -	\$ -	\$ -	\$ 792,958
1,806	632	236	9,001
145,497	26,395	20,184	1,308,483
-	-	-	860,369
-	-	-	114,226
-	-	-	94,540
<u>147,303</u>	<u>27,027</u>	<u>20,420</u>	<u>3,179,577</u>
295	-	261	561,404
-	1,177	-	1,338,426
-	-	-	227,144
-	-	-	138,911
<u>295</u>	<u>1,177</u>	<u>261</u>	<u>2,265,885</u>
147,008	25,850	20,159	913,692
-	-	-	1,355,966
<u>(35,480)</u>	<u>(100,000)</u>	<u>-</u>	<u>(1,187,093)</u>
<u>(35,480)</u>	<u>(100,000)</u>	<u>-</u>	<u>168,873</u>
111,528	(74,150)	20,159	1,082,565
<u>357,642</u>	<u>163,883</u>	<u>45,624</u>	<u>1,240,114</u>
<u>\$ 469,170</u>	<u>\$ 89,733</u>	<u>\$ 65,783</u>	<u>\$ 2,322,679</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

<u>BUILDING PERMIT & INSPECTION FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Permits	\$ 105,640	\$ 105,640	\$ 380,958	\$ 275,318
State Permit Surcharges	8,930	8,930	29,222	20,292
Misc. Sales & Services	760	760	2,253	1,493
Interest on Investments	5,100	5,100	2,698	(2,402)
Total Revenues	<u>120,430</u>	<u>120,430</u>	<u>415,131</u>	<u>294,701</u>
EXPENDITURES				
Personal Services	40,678	42,178 (1)	42,087	91
Materials and Services	183,192	183,192 (1)	183,145	47
Contingency	422,023	420,523 (1)	-	420,523
Total Expenditures	<u>645,893</u>	<u>645,893</u>	<u>225,232</u>	<u>420,570</u>
Excess of Revenues Over (Under) Expenditures	(525,463)	(525,463)	189,899	715,362
FUND BALANCE - BEGINNING OF YEAR	<u>525,463</u>	<u>525,463</u>	<u>524,164</u>	<u>(1,299)</u>
FUND BALANCE - END OF YEAR	<u>\$ 525,463</u>	<u>\$ 525,463</u>	<u>\$ 714,063</u>	<u>\$ 188,600</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2011

	<u>STREET FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
State Gas Tax Proration	\$ 522,000	\$ 522,000	\$ 510,880	\$ (11,120)
Newport Gas Tax Proration	65,000	65,000	139,689	74,689
State ISTEPA Entitlement	102,130	102,130	102,871	741
Misc. Sales & Services	1,800	1,800	42,118	40,318
State Grants	470,000	470,000	253,807	(216,193)
LID - Sidewalks	105,000	105,000	-	(105,000)
Services Provided for Sewer Fund	158,050	158,050	114,226	(43,824)
Interest on Investments	-	-	13	13
Total Revenues	1,423,980	1,423,980	1,163,604	(260,376)
EXPENDITURES				
Street Maintenance	367,145	367,145 (1)	357,782	9,363
Storm Drain Maintenance	262,374	262,374 (1)	199,104	63,270
Contingency	27,615	27,615 (1)	-	27,615
Total Expenditures	657,134	657,134	556,886	100,248
Excess of Revenues Over (Under) Expenditures	766,846	766,846	606,718	(160,128)
OTHER FINANCING SOURCES (USES)				
Transfers In	66,659	314,723	314,723	-
Transfers Out	(738,505)	(738,505) (1)	(348,573)	389,932
Total Other Financing Sources (Uses)	(671,846)	(423,782)	(33,850)	389,932
Net Change in Fund Balance	95,000	343,064	572,868	229,804
FUND BALANCE - BEGINNING OF YEAR	-	-	(648,064)	(648,064)
FUND BALANCE - END OF YEAR	\$ 95,000	\$ 343,064	\$ (75,196)	\$ (418,260)

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

	<u>LINE UNDERGROUNDING FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Interest on Investments	\$ 1,000	\$ 1,000	\$ 1,812	\$ 812
Franchise Taxes	135,000	135,000	142,389	7,389
 Total Revenues	 136,000	 136,000	 144,201	 8,201
EXPENDITURES				
Materials and Services	3,962	3,962 (1)	3,962	-
Capital Outlay	1,000	139,500 (1)	138,911	589
Contingency	79,431	67,440 (1)	-	67,440
 Total Expenditures	 84,393	 210,902	 142,873	 68,029
Net Change in Fund Balance	51,607	(74,902)	1,328	76,230
OTHER FINANCING SOURCES (USES)				
Transfer Out	(58,658)	(70,649)	(70,649)	-
 Total Other Financing Sources (Uses)	 (58,658)	 (70,649)	 (70,649)	 -
 FUND BALANCE - BEGINNING OF YEAR	 7,051	 145,551	 454,882	 309,331
 FUND BALANCE - END OF YEAR	 \$ -	 \$ -	 \$ 385,561	 \$ 385,561

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

<u>PUBLIC PARKING FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Fees	\$ 25,960	\$ 25,960	\$ 23,735	\$ (2,225)
Interest on Investments	3,100	3,100	1,170	(1,930)
Total Revenues	<u>29,060</u>	<u>29,060</u>	<u>24,905</u>	<u>(4,155)</u>
EXPENDITURES				
Public Parking General	1,910	1,910 (1)	1,910	-
Nye Beach Parking District	10,000	10,000 (1)	2	9,998
Contingency	151,279	151,279 (1)	-	151,279
Total Expenditures	<u>163,189</u>	<u>163,189</u>	<u>1,912</u>	<u>161,277</u>
Excess of Revenues Over (Under) Expenditures	(134,129)	(134,129)	22,993	157,122
OTHER FINANCING SOURCES (USES)				
Transfers Out	(175,000)	(175,000) (1)	(7,611)	167,389
Total Other Financing Sources (Uses)	<u>(175,000)</u>	<u>(175,000)</u>	<u>(7,611)</u>	<u>167,389</u>
Net Change in Fund Balance	(309,129)	(309,129)	15,382	324,511
FUND BALANCE - BEGINNING OF YEAR	<u>309,129</u>	<u>309,129</u>	<u>339,257</u>	<u>30,128</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,639</u>	<u>\$ 354,639</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

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

For the Year Ended June 30, 2011

<u>PARKS & RECREATION FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Programs	\$ 145,000	\$ 145,000	\$ 202,521	\$ 57,521
Fees	374,200	374,200	406,322	32,122
Rents & Leases	10,000	10,000	8,865	(1,135)
Concession Stand	12,000	12,000	11,231	(769)
Miscellaneous Income	100	100	851	751
Grants	1,137,000	1,137,000	568,741	(568,259)
Gifts & Donations	5,000	5,000	37,821	32,821
Interest on Investments	2,000	2,000	634	(1,366)
	<u>1,685,300</u>	<u>1,685,300</u>	<u>1,236,986</u>	<u>(448,314)</u>
Total Revenues				
EXPENDITURES				
Parks Administration	140,230	134,230 (1)	125,026	9,204
Parks Division	207,701	213,701 (1)	213,460	241
Senior Center	162,565	162,565 (1)	106,016	56,549
Swimming Pool	315,730	315,730 (1)	297,309	18,421
Recreation Center	454,787	454,787 (1)	389,094	65,693
Recreation Programs	252,947	252,947 (1)	206,344	46,603
Parks Reserve	5,000	5,000 (1)	-	5,000
	<u>1,538,960</u>	<u>1,538,960</u>	<u>1,337,249</u>	<u>201,711</u>
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	146,340	146,340	(100,263)	(246,603)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,016,004	1,061,679	1,041,243	(20,436)
Transfers Out	(1,174,500)	(1,174,500) (1)	(624,780)	549,720
	<u>(158,496)</u>	<u>(112,821)</u>	<u>416,463</u>	<u>529,284</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	(12,156)	33,519	316,200	282,681
FUND BALANCE - BEGINNING OF YEAR	<u>44,908</u>	<u>44,908</u>	<u>2,726 (2)</u>	<u>(42,182)</u>
FUND BALANCE - END OF YEAR	<u>\$ 32,752</u>	<u>\$ 78,427</u>	<u>\$ 318,926</u>	<u>\$ 240,499</u>

(1) Appropriation Level

(2) Reconciliation of Beginning Fund Balance

2010 Recreation Fund Ending Balance	\$ (45,675)
2010 Parks & Recreation Capital Improvement Fund Ending Balance	48,401
	<u>\$ 2,726</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

	<u>STREET SDC FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
SDC Charges	\$ 10,400	\$ 10,400	\$ 145,497	\$ 135,097
Interest from SDC's	100	100	-	(100)
Interest on Investments	1,700	1,700	1,806	106
Total Revenues	<u>12,200</u>	<u>12,200</u>	<u>147,303</u>	<u>135,103</u>
EXPENDITURES				
Material and Services	18,500	18,500 (1)	295	18,205
Contingency	237,527	237,527 (1)	-	237,527
Total Expenditures	<u>256,027</u>	<u>256,027</u>	<u>295</u>	<u>255,732</u>
Excess of Revenues Over (Under) Expenditures	(243,827)	(243,827)	147,008	390,835
OTHER FINANCING SOURCES (USES)				
Transfer Out	(35,480)	(35,480) (1)	(35,480)	-
Total Other Financing Sources, (Uses)	<u>(35,480)</u>	<u>(35,480)</u>	<u>(35,480)</u>	<u>-</u>
Net Change in Fund Balance	(279,307)	(279,307)	111,528	390,835
FUND BALANCE - BEGINNING OF YEAR	<u>286,007</u>	<u>286,007</u>	<u>357,642</u>	<u>71,635</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,700</u>	<u>\$ 6,700</u>	<u>\$ 469,170</u>	<u>\$ 462,470</u>

(1) Appropriation Level

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011**

	<u>PARKS SDC FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
SDC Charges	\$ 5,000	\$ 5,000	\$ 26,395	\$ (21,395)
Interest on Investments	1,000	1,000	632	368
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>27,027</u>	<u>(21,027)</u>
EXPENDITURES				
Material and Services	1,177	1,177 (1)	1,177	-
Contingency	19,274	19,274 (1)	-	19,274
Total Expenditures	<u>20,451</u>	<u>20,451</u>	<u>1,177</u>	<u>19,274</u>
Excess of Revenues Over (Under) Expenditures	(14,451)	(14,451)	25,850	(40,301)
OTHER FINANCING SOURCES (USES)				
Transfer Out	(100,000)	(100,000) (1)	(100,000)	-
Total Other Financing Sources, (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net Change in Fund Balance	(114,451)	(114,451)	(74,150)	40,301
FUND BALANCE - BEGINNING OF YEAR	<u>114,451</u>	<u>114,451</u>	<u>163,883</u>	<u>49,432</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,733</u>	<u>\$ 89,733</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

	<u>STORM DRAIN SDC FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
SDC Charges	\$ 400	\$ 400	\$ 20,184	\$ 19,784
Interest on Investments	300	300	236	(64)
Total Revenues	<u>700</u>	<u>700</u>	<u>20,420</u>	<u>19,720</u>
EXPENDITURES				
Material and Services	24,080	24,080 (1)	261	23,819
Contingency	365	365 (1)	-	365
Total Expenditures	<u>24,445</u>	<u>24,445</u>	<u>261</u>	<u>24,184</u>
Excess of Revenues Over (Under) Expenditures	(23,745)	(23,745)	20,159	43,904
FUND BALANCE - BEGINNING OF YEAR	<u>23,745</u>	<u>23,745</u>	<u>45,624</u>	<u>21,879</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,783</u>	<u>\$ 65,783</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

<u>WASTEWATER FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Service Charges	\$ 2,647,050	\$ 2,647,050	\$ 2,485,945	\$ (161,105)
Capital Improvement Surcharge	410,001	410,001	424,871	14,870
Septage Revenue	53,551	53,551	21,577	(31,974)
Miscellaneous Income	-	-	2,511	2,511
Interest on Investments	10,000	10,000	6,391	(3,609)
Total Revenues	<u>3,120,602</u>	<u>3,120,602</u>	<u>2,941,295</u>	<u>(179,307)</u>
EXPENDITURES				
Wastewater Treatment Plant	818,428	818,428 (1)	1,164,420	(345,992)
Wastewater Collection	406,107	476,107 (1)	371,834	104,273
Customer Service	19,350	20,350 (1)	20,333	17
Wastewater General Debt Service	-	- (1)	583,849	(583,849) *
Non-Departmental	831,194	831,194 (1)	761,448	69,746
Contingency	1,389,643	1,178,857 (1)	-	1,178,857
Total Expenditures	<u>3,464,722</u>	<u>3,324,936</u>	<u>2,901,884</u>	<u>423,052</u>
Excess of Revenues Over (Under) Expenditures	(344,120)	(204,334)	39,411	243,745
OTHER FINANCING SOURCES (USES)				
Refunding Bond Principal	-	-	5,560,000	5,560,000
Refunding Bond Premium	-	-	290,162	290,162
Refunding Bond Issuance Costs	-	-	(103,100)	(103,100) *
Refunded Bonds Principal	-	-	(13,263,657)	(13,263,657) *
Refunded Bonds Interest	-	-	(264,201)	(264,201) *
Transfers In	-	-	8,964,645	8,964,645
Transfers Out	(1,080,927)	(1,290,713) (1)	(1,249,163)	41,550
Total Other Financing Sources (Uses)	<u>(1,080,927)</u>	<u>(1,290,713)</u>	<u>(65,314)</u>	<u>1,225,399</u>
Net Change in Fund Balance	(1,425,047)	(1,495,047)	(25,903)	1,469,144
FUND BALANCE - BEGINNING OF YEAR	<u>1,425,047</u>	<u>1,495,047</u>	<u>1,543,718</u>	<u>48,671</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,517,815</u>	<u>\$ 1,517,815</u>
RECONCILIATION TO NET ASSETS				
Capital Assets, Net			39,036,487	
Compensated Absences			(29,689)	
Debt Payable			(11,570,000)	
Bond Premium			(267,842)	
Bond Issuance Costs			95,169	
Interest Payable			(109,256)	
TOTAL NET ASSETS			<u>\$ 28,672,684</u>	

* This is not a budget violation because over-expenditure is due to a bond refunding which under ORS 294.326 (5) is not required to be appropriated.

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

<u>WATER FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Service Charges	\$ 2,104,200	\$ 2,104,200	\$ 2,025,371	\$ (78,829)
New Services, Meters	40,000	40,000	29,394	(10,606)
Miscellaneous Income	35,000	35,000	36,062	1,062
Services Provided	45,000	45,000	45,000	-
Interest on Investments	50,000	50,000	53,100	3,100
Total Revenues	<u>2,274,200</u>	<u>2,274,200</u>	<u>2,188,927</u>	<u>(85,273)</u>
EXPENDITURES				
Water Treatment	698,834	698,834 (1)	8,182,644	(7,483,810)
Water Distribution	611,976	611,976 (1)	544,334	67,642
Customer Services	19,350	21,850 (1)	21,848	2
Water Loan	-	- (1)	60,000	(60,000)
Water Non-Departmental	507,551	507,551 (1)	494,864	12,687
Contingency	756,276	639,605 (1)	-	639,605
Total Expenditures	<u>2,593,987</u>	<u>2,479,816</u>	<u>9,303,690</u>	<u>(6,823,874)</u>
Excess of Revenues Over (Under) Expenditures	(319,787)	(205,616)	(7,114,763)	(6,909,147)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	12,631,797	(12,631,797)
Transfers Out	(13,303,393)	(13,417,564) (1)	(12,810,460)	607,104
Total Other Financing Sources (Uses)	<u>(13,303,393)</u>	<u>(13,417,564)</u>	<u>(178,663)</u>	<u>13,238,901</u>
Net Change in Fund Balance	(13,623,180)	(13,623,180)	(7,293,426)	6,329,754
FUND BALANCE - BEGINNING OF YEAR	<u>13,623,180</u>	<u>13,623,180</u>	<u>14,047,752</u>	<u>424,572</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,754,326</u>	<u>\$ 6,754,326</u>
RECONCILIATION TO NET ASSETS				
Capital Assets, Net			15,140,269	
Compensated Absences			(33,529)	
Bond Payable			(15,945,541)	
Loan Payable			(902,094)	
Bond Issuance Costs			297,097	
Bond Premium			(198,096)	
Interest Payable			(27,713)	
TOTAL NET ASSETS			<u>\$ 5,084,719</u>	

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

COMBINING BALANCE SHEET
NON-MAJOR PROPRIETARY FUNDS
June 30, 2011

	BONDED DEBT FUND	WATER SDC FUND	WASTEWATER SDC FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	\$ 270,522	\$ 464,724	\$ 92,172	\$ 827,418
Receivables	156,103	43,672	38,222	237,997
Total Assets	<u>\$ 426,625</u>	<u>\$ 508,396</u>	<u>\$ 130,394</u>	<u>\$ 1,065,415</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES				
Deferred Revenue	\$ 133,393	\$ 43,672	\$ 38,222	\$ 215,287
Due to other Funds	20,000	-	-	20,000
Total Liabilities	<u>153,393</u>	<u>43,672</u>	<u>38,222</u>	<u>235,287</u>
FUND BALANCES				
Retricted for				
Debt Service	273,232	-	-	273,232
System Development	-	464,724	92,172	556,896
Total Fund Balances	<u>273,232</u>	<u>464,724</u>	<u>92,172</u>	<u>830,128</u>
Total Liabilities and Fund Balances	<u>\$ 426,625</u>	<u>\$ 508,396</u>	<u>\$ 130,394</u>	<u>\$ 1,065,415</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2011

	BONDED DEBT FUND	WATER SDC FUND	WASTEWATER SDC FUND	TOTAL
REVENUES				
Taxes	\$ 1,515,373	\$ -	\$ -	\$ 1,515,373
Interest	2,008	1,790	264	4,062
License & Fees	-	74,997	189,164	264,161
Total Revenues	<u>1,517,381</u>	<u>76,787</u>	<u>189,428</u>	<u>1,783,596</u>
EXPENDITURES				
Current Operation				
General Government	-	17	1,164	1,181
Capital Outlay	-	-	50,760	50,760
Debt Service	1,470,693	-	-	1,470,693
Total Expenditures	<u>1,470,693</u>	<u>17</u>	<u>51,924</u>	<u>1,522,634</u>
Excess of Revenues Over (Under) Expenditures	46,688	76,770	137,504	260,962
OTHER FINANCING SOURCES (USES)				
Transfer Out	-	-	(94,582)	(94,582)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(94,582)</u>	<u>(94,582)</u>
Net Change in Fund Balance	46,688	76,770	42,922	166,380
FUND BALANCES - BEGINNING OF YEAR	226,544	411,643	96,628	734,815
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(23,689)</u>	<u>(47,378)</u>	<u>(71,067)</u>
FUND BALANCES - END OF YEAR	<u>\$ 273,232</u>	<u>\$ 464,724</u>	<u>\$ 92,172</u>	<u>\$ 830,128</u>
RECONCILIATION TO NET ASSETS				
Debt Service				960,000
Transfers				<u>(960,000)</u>
TOTAL NET ASSETS				<u>\$ 830,128</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

	<u>BONDED DEBT FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Property Taxes	\$ 1,525,691	\$ 1,525,691	\$ 1,515,373	\$ (10,318)
Interest on Investments	10,000	10,000	2,008	(7,992)
Total Revenues	<u>1,535,691</u>	<u>1,535,691</u>	<u>1,517,381</u>	<u>(18,310)</u>
EXPENDITURES				
1998 Water Bonds Principal & Interest	350,992	350,992 (1)	350,993	(1)
2008 Wastewater Bonds Principal & Interest	788,424	788,424 (1)	788,425	(1)
2009 WPT GO Bonds -Principal & Interest	331,275	331,275 (1)	331,275	-
Contingency	285,709	285,709 (1)	-	285,709
Total Expenditures	<u>1,756,400</u>	<u>1,756,400</u>	<u>1,470,693</u>	<u>285,707</u>
Excess of Revenues Over (Under) Expenditures	(220,709)	(220,709)	46,688	267,397
FUND BALANCE - BEGINNING OF YEAR	<u>220,709</u>	<u>220,709</u>	<u>226,544</u>	<u>5,835</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,232</u>	<u>\$ 273,232</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

	<u>WATER SDC FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
SDC Charges	\$ 4,000	\$ 4,000	\$ 74,997	\$ (70,997)
Interest on Investments	100	100	1,790	(1,690)
Total Revenues	<u>4,100</u>	<u>4,100</u>	<u>76,787</u>	<u>(72,687)</u>
EXPENDITURES				
Material and Services	16,848	16,848 (1)	17	16,831
Contingency	243,862	243,862 (1)	-	243,862
Total Expenditures	<u>260,710</u>	<u>260,710</u>	<u>17</u>	<u>260,693</u>
Excess of Revenues Over (Under) Expenditures	(256,610)	(256,610)	76,770	(333,380)
OTHER FINANCING SOURCES (USES)				
Transfer Out	(114,390)	(114,390) (1)	-	114,390
Total Other Financing Sources, (Uses)	<u>(114,390)</u>	<u>(114,390)</u>	<u>-</u>	<u>114,390</u>
Net Change in Fund Balance	(371,000)	(371,000)	76,770	447,770
FUND BALANCE - BEGINNING OF YEAR	371,000	371,000	411,643	40,643
PRIOR PERIOD ADJUSTMENT			(23,689)	(23,689)
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,724</u>	<u>\$ 464,724</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
WASTEWATER SDC FUND				
REVENUES				
SDC Charges	\$ 3,000	\$ 25,000	\$ 189,164	\$ (164,164)
Interest from SDC s	100	100	-	100
Interest on Investments	400	400	264	136
Total Revenues	3,500	25,500	189,428	(163,928)
EXPENDITURES				
Material and Services	21,995	21,995 (1)	1,164	20,831
Capital Outlay	14,500	65,260 (1)	50,760	14,500
Contingency	1,005	1,005 (1)	-	1,005
Total Expenditures	37,500	88,260	51,924	36,336
Excess of Revenues Over (Under) Expenditures	(34,000)	(62,760)	137,504	(200,264)
OTHER FINANCING SOURCES (USES)				
Transfer Out	(7,500)	(29,500) (1)	(94,582)	(65,082)
Total Other Financing Sources, (Uses)	(7,500)	(29,500)	(94,582)	(65,082)
Net Change in Fund Balance	(41,500)	(92,260)	42,922	135,182
FUND BALANCE - BEGINNING OF YEAR	41,500	92,260	96,628	4,368
PRIOR PERIOD ADJUSTMENT	-	-	(47,378)	(47,378)
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 92,172	\$ 92,172

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2011

City of Newport	IMPOSED LEVY OR OR BALANCE UNCOLLECTED AT 7/1/10	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/11
TAX YEAR						
Current:						
2010-11	\$ 7,167,642	\$ 171,178	\$ (14,316)	\$ 5,145	\$ 6,605,889	\$ 381,404
Prior Years:						
2009-10	312,190	(37)	(5,179)	11,853	168,370	150,531
2008-09	141,272	(1)	(486)	11,047	68,729	83,105
2007-08	66,000	-	(265)	12,451	53,698	24,488
2006-07	19,798	-	(228)	5,418	20,132	4,856
2005-06 & prior	17,594	(189)	(10,658)	1,473	(5,873)	14,471
Total Prior	556,854	(227)	(16,816)	42,242	305,056	277,451
Total All Funds	\$ 7,724,496	\$ 170,951	\$ (31,132)	\$ 47,387	\$ 6,910,945	\$ 658,855

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above Accrual of Receivables:		\$ 6,910,945	
June 30, 2010		(24,285)	
June 30, 2011		43,011	
Other Taxes		5,513	
Total Revenue		\$ 6,935,184	
Fund Allocation:		REVENUE	RECEIVABLE
General Fund		5,419,811	516,016
Sewer Bonded Debt Fund		1,515,373	142,839
Total		\$ 6,935,184	\$ 658,855

Urban Renewal - North Side

Current:						
2010-11	\$ 546,079	\$ 13,041	\$ (1,091)	\$ 392	\$ 503,281	\$ 29,058
Prior Years:						
2009-10	142,882	(16)	(6,531)	5,264	74,776	66,855
2008-09	66,119	-	(227)	5,170	32,167	38,895
2007-08	29,618	-	(119)	5,587	24,098	10,988
2006-07	8,758	-	(101)	2,397	8,906	2,148
2005-06 & prior	8,848	(83)	(5,789)	650	(2,590)	6,382
Total Prior	256,225	(99)	(12,767)	19,068	137,357	125,268
Total All Funds	\$ 802,304	\$ 12,942	\$ (13,858)	\$ 19,460	\$ 640,638	\$ 154,326

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above Accrual of Receivables:		\$ 640,638	
June 30, 2010		(11,011)	
June 30, 2011		10,401	
Other Taxes		1,169	
Total Revenue in Urban Renewal Debt Fund		\$ 641,197	

CITY OF NEWPORT

LINCOLN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED For the Year Ended June 30, 2011

Urban Renewal - South Side						
Current:						
2010-11	\$ 1,999,514	\$ 47,752	\$ (3,994)	\$ 1,435	\$ 1,842,805	\$ 106,398
Prior Years:						
2009-10	99,383	(12)	(1,649)	3,773	53,599	47,920
2008-09	44,421	-	(155)	3,474	21,611	26,129
2007-08	18,803	-	(75)	3,547	15,298	6,977
2006-07	4,989	-	(57)	1,364	5,072	1,224
2005-06 & prior	3,619	(46)	(1,908)	363	(1,447)	3,567
Total Prior	<u>171,215</u>	<u>(58)</u>	<u>(3,844)</u>	<u>12,521</u>	<u>94,133</u>	<u>85,817</u>
 Total All Funds	 <u>\$ 2,170,729</u>	 <u>\$ 47,694</u>	 <u>\$ (7,838)</u>	 <u>\$ 13,956</u>	 <u>\$ 1,936,938</u>	 <u>\$ 192,215</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 1,936,938
Accrual of Receivables:	
June 30, 2010	(7,064)
June 30, 2011	12,403
Other Taxes	<u>(5,430)</u>
 Total Revenue	 <u>\$ 1,936,847</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

**INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS**

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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November 14, 2011

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Newport, Oregon as of and for the year ended June 30, 2011, and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and government auditing standards.

Compliance

As part of obtaining reasonable assurance about whether the 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.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Programs funded from outside sources.**

In connection with our testing nothing came to our attention that caused us to believe the City of Newport, Oregon 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, except as noted below:

1. We noted expenditures of various funds were within authorized appropriations, except as noted on page 14.
2. The notices of the budget committee meeting were not published five days apart, and one notice was not published more than five days before the meeting.
3. The 2010-11 budget document does not match the budget resolution for the North Side Urban Renewal District that was approved by the Council.

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in the schedule of findings and questioned costs.

This report is intended solely for the information and use of the Council, management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.

Notes to Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF NEWPORT, OREGON
LINCOLN COUNTY, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011**

FEDERAL AGENCY/PASS-THROUGH AGENCY	<u>CFDA NUMBER</u>	<u>CURRENT YEAR EXPENDITURES</u>
 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD):		
Community Development Block Grant	14.228	\$ 534,818 (1)
US-DOT-Small Community Air Development Program	20.930	245,658
US-DOJ - Bulletproof Vest Partnership	16.607	2,139
US-DOJ - Recovery Act Justice Assistance Grants-Localities (ARRA)	16.804	2,224
US-DOT - Airport Improvement Projects AIP-16	20.106	4,933
US-DOT - Airport Improvement Projects AIP-17	20.106	177,043
TOTAL FEDERAL EXPENDITURES		\$ 966,815

(1) major program



PAULY, ROGERS AND CO., P.C.

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November 14, 2011

To the City Council
City of Newport
Newport, Oregon

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

We have audited the financial statements of The City of Newport as of and for the year ended June 30, 2011, and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management on the Schedule of Findings and Questioned Costs on page 68.

The management responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Management, the City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.



PAULY, ROGERS AND CO., P.C.

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November 14, 2011

To the Board of Directors
City of Newport
Newport, Oregon

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of The City of Newport with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of compliance with those requirements.

In our opinion, The City of Newport complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


PAULY, ROGERS AND CO., P.C.

CITY OF NEWPORT
NEWPORT, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

Section I – Summary of Auditors’ Results

Financial Statements

Type of Auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Noncompliance material to financial statements noted? Yes No

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133? Yes No

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of programs

CFDA Number(s): 14.228 Name of Federal Program: State-Administrated CDBG Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No

CITY OF NEWPORT
NEWPORT, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

2011-FS-1

CONDITION: Lack of segregation of duties within the court fines revenue cycle.

CRITERIA: Proper segregation of duties should not allow any one employee to have access to both physical assets and the related accounting records or to all phases of the transaction.

EFFECT: Without proper segregation of duties, there exists an increased likelihood that a material misstatement could occur in the financial statements and go undetected.

CAUSE: The Cashier has the ability to make adjustments within the court fines software, prepares the deposit, and also collects the cash payments.

RECOMMENDATION: We recommend the City consider further segregating duties in these areas to ensure that no one employee has access to all phases of the accounting cycle or implement other mitigating controls.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION: Present software system doesn't allow the cashier the ability to make payments to Court customers without the ability to make adjustments. The City is changing Finance software and this issue will go away with the new software.

2011-FS-2

CONDITION: Bank reconciliations are not being completed or reviewed in a timely manner.

CRITERIA: Bank reconciliations should be completed within a few weeks of receiving the necessary information, and the review should take place shortly thereafter.

EFFECT: Without timely completion and review of the bank reconciliations, there exists an increased likelihood that a material misstatement could occur in the financial statements and go undetected.

CAUSE: Inadequate resources devoted towards these functions.

RECOMMENDATION: We recommend that bank reconciliations be completed within a few weeks of receiving the necessary information, and that a review take place shortly thereafter.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION: This issue was because of being short staff of and a change in staff throughout the year. With a stable staff, bank reconciliations will be completed on a timely basis.

CITY OF NEWPORT
NEWPORT, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

2011-FS-3

CONDITION: Lack of system access restrictions within the accounts payable and payroll cycles

CRITERIA: No employee should have unrestricted access to all phases of an accounting cycle.

EFFECT: Without access restrictions, there exists the possibility that an employee could create unauthorized transactions resulting in financial statement misstatement.

CAUSE: The City believes implementing system access restrictions would cause undue operating burden in the event of a key employee's absence.

RECOMMENDATION: We recommend that access restrictions within the accounting software be implemented.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION: Due to having a small office and frequent personnel changes in the last few years, backup for accounts payable and payroll positions has fallen on the Asst. Finance Director. With changes in software and stable personnel this issue will be addressed.

2011-FS-4

CONDITION: Delinquent accounts receivable for street parking fees are not being written off and sent to collections

CRITERIA: Delinquent accounts receivable should be sent to collections and accounts should be written down or off in accordance with the City's policy.

EFFECT: There exists the possibility of other delinquent, uncollectible accounts remaining on the books, resulting in financial statement misstatement.

CAUSE: No policy has been implemented for dealing with delinquent accounts receivable.

RECOMMENDATION: We recommend that a consistent approach for writing off uncollectable accounts be implemented and adhered to.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION: Working with delinquent accounts receivable to set up payment schedules or write off and send to collection.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None Reported

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