

2014-2015  
ANNUAL FINANCIAL  
STATEMENT  
JUNE 30, 2015



For The City of Newport  
and  
Newport Urban Renewal Agency

Mission Statement: The City of Newport pledges to effectively manage essential community services for the wellbeing and public safety of residents and visitors. The City will encourage economic diversification, sustainable development, and livability.

**City Of Newport, Oregon**

**Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2015**

\* \* \* \* \*

**Spencer Nebel, City Manager  
Mike Murzynsky, Finance Director**

**Prepared by:  
The Finance Department  
City of Newport, Oregon**

You have brains in your head. You have feet in your shoes. You can steer yourself any direction you choose. You're on your own. And you know what you know. And YOU are the one who'll decide where to go... *Dr. Seuss.*

**City Of Newport, Oregon**  
 169 SW Coast Highway  
 Newport, Oregon 97365  
[www.newportoregon.gov](http://www.newportoregon.gov)

Council Member, Administrative Staff and Principal Financial Staff as of June 30, 2015

<u>Council Members</u>	<u>Years of Service</u>	<u>Term Expires</u>
Sandra Roumagoux, Mayor	2.5	December 31, 2016
Dean Sawyer	2.5	December 31, 2016
David Allen	4.5	December 31, 2018
Laura Swanson	2.5	December 31, 2016
Ralph Busby	2.5	December 31, 2016
Mark Saelens	2.5	December 31, 2018
Wendy Engler	0.5	December 31, 2018

<u>Administrative Staff</u>		<u>Years in this position</u>	<u>Years of Service with the City of Newport</u>
City Manager	Spencer Nebel	1.5	1.5
Finance Director	Mike Murzynsky	1.0	1.0
City Attorney	Steve Rich	0.5	0.5
Public Works Director	Tim Gross	3.0	4.0
Community Development Director	Derrick Tokos	6.0	6.0
Parks & Recreation Director	Jim Protiva	10.0	10.0
Library Director	Ted Smith	6.0	6.0
Police Chief	Mark Miranda	12.0	12.0
Fire Chief	Rob Murphy	1.0	8.0

**Principal Finance Staff**

Finance Director  
 Mike Murzynsky

Asst. Finance Director  
 Linda Brown

Look up at the stars and not down at your feet. Try to make sense of what you see, and wonder about what makes the universe exist. Be curious.

*Stephen Hawking*

**City of Newport, Oregon**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2015**  
**Table of Contents**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Council Members, and Administrative Staff, and Principal Finance Staff.....	i
<b>FINANCIAL SECTION</b>	
Independent Auditors Report.....	1
Management's Discussion and Analysis.....	4
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities.....	12
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	14
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Major Governmental Funds:	
Statements of Revenues and Expenditures, Budget and Actual	
General.....	18
Parks and Recreation.....	20
Agate Beach Closure Fund.....	21
Proprietary Funds:	
Statement of Net Position.....	22
Statement of Revenues, Expenses, and Changes in Net Position.....	23
Statement of Cash Flows.....	24
Fiduciary Funds:	
Statement of Net Position.....	26
Statement of Revenues, Expenses, and Changes in Net Position.....	28
Notes to the Basic Financial Statements.....	29
<b>Required Supplementary Data</b>	
City Pension Related Schedules	
Schedule of Proportionate Share of Net Pension Liability.....	82
Schedule of Contributions.....	83
Schedule of Net Pension Liability and Changes in Net Pension Liability.....	84
Schedule of Employer Contributions.....	86
Schedule of Investment Rate of Return.....	88
<b>Supplementary Data</b>	
Schedules of Revenues and Expenditures - Budget and Actual	
Debt Service Newport Urban Renewal Agency Fund (A Major Fund).....	90
Capital Projects Fund (A Major Fund).....	91
<b>Nonmajor Governmental Funds</b>	
<b>Combining Statements</b>	
Combining Balance Sheet.....	92
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	93
<b>Special Revenue Funds</b>	
Combining Balance Sheet.....	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	98

**City of Newport, Oregon**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2015**  
**Table of Contents**

**Supplementary Data (continued)**

**Nonmajor Governmental Funds (continued)**

**Special Revenue Funds (continued)**

Page

Schedules of Revenues and Expenditures - Budget and Actual	
Public Parking.....	100
Housing.....	101
Airport.....	102
Room Tax.....	103
Building Inspection.....	104
Street.....	105
Line Undergrounding.....	106
Systems Development Charges (SDC).....	107
Newport Urban Renewal Agency.....	108
Public Works Fund.....	109

**Debt Service Fund**

Schedule of Revenues and Expenditures - Budget and Actual	
Debt Service.....	112

**Capital Projects Fund**

Schedule of Revenues and Expenditures - Budget and Actual	
Reserve.....	114

**Proprietary Funds**

**Enterprise Funds**

Schedules of Revenues and Expenditures - Budget and Actual	
Water.....	116
Schedule of Revenues, Expenses, and Changes in Net Position	
Wastewater.....	117
Schedules of Revenues and Expenditures - Budget and Actual	
Debt Service - Water.....	118
Schedule of Revenues, Expenses, and Changes in Net Position	
Debt Service - Wastewater.....	119
Schedule of Revenues, Expenses, and Changes in Net Position.....	
Capital Project - Proprietary.....	120

**COMPLIANCE SECTION**

Independent Auditor's Report Required by the Minimum	
Standards for Audits of Oregon Municipal Corporations.....	122

**Government Auditing Standards Reports**

Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and	
Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance	
with Government Auditing Standards.....	
	124
Independent Auditor's Report on Compliance with Requirements That Could Have a	
Direct and Material Effect on Each Major Program and on Internal Control Over	
Compliance in Accordance with OMB Circular A-133.....	
	126
Schedule of Findings and Questioned Costs.....	
	128
Schedule of Expenditures of Federal Awards.....	
	129



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the City Council  
**CITY OF NEWPORT**  
Newport, Oregon

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF NEWPORT** as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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



## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### ***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**, as of June 30, 2015, the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General, Parks and Recreation, and Agate Beach Closure Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the required supplementary information on pages 82 through 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary data is presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards 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 also not a required part of the financial statements.

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

## INDEPENDENT AUDITOR'S REPORT (Continued)

### Reports on Other Legal and Regulatory Requirements

#### *Other Reporting Required by Government Auditing Standards*

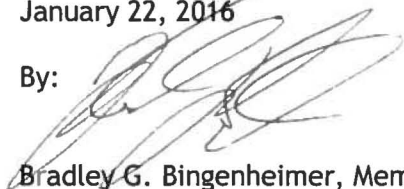
In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

#### *Other Reporting Required by Oregon State Regulations*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 22, 2016, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

**Boldt Carlisle + Smith**  
Certified Public Accountants  
Salem, Oregon  
January 22, 2016

By:



Bradley G. Bingenheimer, Member

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Newport ("City") offers its public a discussion of its financial statement for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statement that follow.

### Financial Highlights

**Net Position** – At the close of the most recent fiscal year, the assets of the City exceeded its liabilities by \$99.6 million up \$11.453 million (13%) from the previous year. Of this amount \$8.659 million may be used to meet the City's ongoing obligation to citizens and creditors. New this year is a classification or allocation of the Net Position for Capital Projects, \$18.859 million is restricted for these projects and the biggest project is the Swimming Pool Construction Project. Another \$4.056 million is restricted for bond, namely reserves for various bonds. Finally, the remaining \$68.099 million is the Net Investment in Capital Assets.

**Change in Net Position** – While the City's total net position increased by \$11.453 million, long term debt increased by \$7.252 million, while other liabilities decreased by about \$1.888 million.

**Governmental Funds** – As of the close of the fiscal year, the City's governmental funds reported combined Ending Fund Balances (EFBs) of \$25.51 million, up \$5.0 million from the previous year. The General Fund increased by \$876,922, because net income exceeded the total other financing sources. Another significant increase was to the Capital Project Fund, \$2.33 million, due primarily to the 2015 Water Borrowing completed for the Water Projects. Another increase was to the Urban Renewal Debt Fund \$694,297 primarily due to the 2015 A & B Urban Renewal borrowing for South Beach Projects.

### 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 those 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 Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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 type 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 evaluation 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 governmental 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 17 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. Parks and Recreation
3. Agate Beach Closure Fund
4. Newport Urban Renewal Debt Service
5. Capital Projects Fund

Data from the other twelve 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 supplementary information description 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 cost 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 the related Capital Projects and Debt 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.

**Required Supplementary Information.** The schedules present additional and historical trend information on the City’s participation in the Oregon Public Employees Retirement System (PERS) and the City’s defined benefit pension plan.

**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 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 June 30, 2015, the City’s assets exceeded liabilities by \$99.6 million.

The largest portion of the City's net position (68.32%) 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 those 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 in 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. Of the remaining balance in net assets, \$4.056 million is restricted for future debt service, \$18.859 million is restricted for Capital projects paid for by System Development Charges (SDCs) and other restricted items, and \$8.659 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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

**TABLE 1**  
**SUMMARY OF NET POSITION**

	Governmental Activities		Business-type Activities		Total Government	
	2014	2015	2014	2015	2014	2015
Cash and investments	\$ 20,627,808	\$ 25,284,246	\$ 2,079,292	\$ 6,514,934	\$ 22,707,100	\$ 31,799,180
Other assets	1,859,392	1,274,682	3,039,572	2,840,305	4,898,964	4,114,987
Capital assets	50,675,444	58,558,685	57,976,005	59,672,022	108,651,449	118,230,707
<b>Total Assets</b>	<b>\$ 73,162,644</b>	<b>\$ 85,117,613</b>	<b>\$ 63,094,869</b>	<b>\$ 69,027,261</b>	<b>\$ 136,257,513</b>	<b>\$ 154,144,874</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension related items	354,398	424,064	-	23,276	354,398	447,340
Other liabilities	\$ 2,735,596	\$ 844,830	\$ 825,068	\$ 827,981	\$ 3,560,664	\$ 1,672,811
Long term debt outstanding	20,244,470	23,299,277	24,585,262	28,782,726	44,829,732	52,082,003
<b>Total Liabilities</b>	<b>\$ 22,980,066</b>	<b>\$ 24,144,107</b>	<b>\$ 25,410,330</b>	<b>\$ 29,610,707</b>	<b>\$ 48,390,396</b>	<b>\$ 53,754,814</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension related items	-	1,110,863	-	-	-	1,110,863
Unearned revenues	-	51,999	-	-	-	51,999
<b>Total deferred inflows</b>	<b>-</b>	<b>1,162,862</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,162,862</b>
Net Investment in Capital Assets	\$ 32,776,862	\$ 36,828,050	\$ 34,062,589	\$ 31,271,352	\$ 66,839,451	\$ 68,099,402
Restricted						
Capital Projects	-	15,736,509	-	3,122,889	-	18,859,398
Debt Service	791,582	2,631,333	1,176,784	1,425,187	1,968,366	4,056,520
Unrestricted	16,968,532	5,038,816	2,445,166	3,620,402	19,413,698	8,659,218
<b>Total Net Position</b>	<b>\$ 50,536,976</b>	<b>\$ 60,234,708</b>	<b>\$ 37,684,539</b>	<b>\$ 39,439,830</b>	<b>\$ 88,221,515</b>	<b>\$ 99,674,538</b>

**Governmental activities.** Governmental net assets increased from \$50.257 million 2013-14 Fiscal Year to \$ 60.234 million in FY 2015.

**Business-type activities.** Net assets for Business-type activities increased by about \$1.755 million from \$37.962 million.

**TABLE 2**  
**GOVERNMENTAL AND PROPRIETARY ACTIVITIES**

	Governmental Activities		Business-type Activities		Total Government	
	2014	2015	2014	2015	2014	2015
<b>REVENUES:</b>						
Program Services						
Charges for Services	\$ 1,885,550	\$ 5,078,982	\$ 7,141,733	\$ 7,415,179	\$ 9,027,283	\$ 12,494,161
Grants & Contributions	2,804,362	6,105,574	-	-	2,804,362	6,105,574
General Revenue						
Taxes	12,344,691	11,821,775	1,823,865	1,928,761	14,168,556	13,750,536
Licenses, Permits and Fees	835,533	724,801	-	-	835,533	724,801
Intergovernmental	850,074	1,548,790	-	-	850,074	1,548,790
Investment Earnings	217,720	106,880	10,623	67,944	228,343	174,824
Other Revenue	831,941	379,998	-	376,389	831,941	756,387
Transfers	229,192	(172,072)	(229,192)	172,072	-	-
<b>Total Revenues</b>	<b>\$ 19,999,063</b>	<b>\$ 25,594,728</b>	<b>\$ 8,747,029</b>	<b>\$ 9,960,345</b>	<b>\$ 28,746,092</b>	<b>\$ 35,555,073</b>
<b>EXPENSES:</b>						
General government	\$ 5,935,904	\$ 5,446,621	\$ -	\$ -	\$ 5,935,904	\$ 5,446,621
Public Safety	6,013,687	5,185,741	-	-	6,013,687	5,185,741
Highways and streets	1,530,448	1,905,912	-	-	1,530,448	1,905,912
Culture and recreation	2,265,394	2,600,685	-	-	2,265,394	2,600,685
Interest on long-term obligations	411,693	758,037	-	-	411,693	758,037
Water	-	-	3,276,390	3,622,964	3,276,390	3,622,964
Sewer	-	-	2,834,964	4,334,154	2,834,964	4,334,154
Capital Projects	-	-	-	247,936	-	247,936
<b>Total expenses</b>	<b>\$ 16,157,126</b>	<b>\$ 15,896,996</b>	<b>\$ 6,111,354</b>	<b>\$ 8,205,054</b>	<b>\$ 22,268,480</b>	<b>\$ 24,102,050</b>
Charges in Net Position	\$ 3,841,937	\$ 9,697,732	\$ 2,635,675	\$ 1,755,291	\$ 6,477,612	\$ 11,453,023
Beginning Net Position	\$ 48,197,712	\$ 50,536,976	\$ 35,326,472	\$ 37,962,147	\$ 83,524,184	\$ 88,499,123
Prior Period Adjustment	(1,502,673)	-	(277,608)	-	(1,780,281)	-
<b>Ending Net Position</b>	<b>\$ 50,536,976</b>	<b>\$ 60,234,708</b>	<b>\$ 37,684,539</b>	<b>\$ 39,717,438</b>	<b>\$ 88,221,515</b>	<b>\$ 99,952,146</b>

**Financial Analysis of the City's Funds**

**Governmental funds.** The City's governmental funds provide information on near term inflows, outflows and balance 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 \$25.505 million, of which \$25.845 million is either restricted, committed, assigned or unassigned fund balance. \$2.818 million is unassigned and, if appropriated, is available for new spending.

A summary of all fund balances is shown below.

**TABLE 3**  
**ENDING FUND BALANCES**

<b>GOVERNMENTAL FUNDS</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY2015</b>	<b>FY14 to FY15 Change</b>
General Fund	\$ 2,202,659	\$ 2,118,241	\$ 2,995,163	\$ 876,922
Airport Fund	384,785	396,981	312,147	(84,834)
Room Tax Fund	642,623	922,155	850,362	(71,793)
Agate Beach Closure Fund	1,438,710	1,414,932	1,397,838	(17,094)
Capital Project Fund	1,808,451	9,614,365	11,944,792	2,330,427
North Side Urban Renewal	272,324	-	-	-
Urban Renewal Agency	1,677,967	277,073	739,805	462,732
General Debt Fund	7,241	9,450	53,838	44,388
Newport Urban Renewal Debt Fund	-	1,883,198	2,577,495	694,297
Public Works Fund	90,206	204,481	183,477	(21,004)
Street Fund	148,676	635,859	670,591	34,732
Line Undergrounding Fund	560,695	639,286	758,129	118,843
SDC Fund	681,634	791,582	1,151,936	360,354
Parks & Recreation Fund	219,002	232,509	417,004	184,495
Building Inspection Fund	572,698	528,834	475,694	(53,140)
Public Parking Fund	266,678	295,703	318,536	22,833
Reserve Fund	-	320,513	502,138	181,625
Housing Fund	181,686	177,479	156,334	(21,145)
<b>Total Governmental Funds</b>	<b>\$ 11,156,035</b>	<b>\$ 20,462,641</b>	<b>\$ 25,505,279</b>	<b>\$ 5,042,638</b>
<b>BUSINESS TYPE FUNDS</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY2015</b>	<b>FY14 to FY15 Change</b>
Water Fund	\$ 548,244	\$ 764,824	\$1,634,175	\$ 869,351
Sewer Fund	281,124	775,060	968,152	193,092
Debt Fund - Water	443,094	549,968	137,510	(412,458)
Debt Fund - Sewer	625,558	626,816	1,158,135	531,319
Capital Projects	-	-	3,122,889	3,122,889
<b>Total Business Type Funds</b>	<b>\$ 1,898,020</b>	<b>\$ 2,716,668</b>	<b>\$7,020,861</b>	<b>\$ 1,181,304</b>

The City's governmental funds reported combined Ending Fund Balances (EFBs) of \$25.51 million, up \$5.0 million from the previous year. During the year the General Fund budget was increased by \$296,987. Actual revenues were \$11,565,867 as compared to \$11,075,052 budgeted. Expenditures were \$9,362,229 which was \$1,390,227 budgeted. There were no expenditures in the General Fund in excess of appropriations.

Another significant increase was to the Capital Project Fund, \$2.33 million, due primarily to the 2015 Water Borrowing completed for the Water Projects. Another increase was to the Urban Renewal Debt Fund \$694,297 primarily due to the 2015 A & B Urban Renewal borrowing for South Beach Projects. The Other Urban Renewal fund increased by \$462,732 due to projects funding increasing for the next fiscal year.

**Capital assets.** As of June 30, 2015 the City’s investment in capital assets for its governmental and business type activities was \$118.3 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, vehicles and construction in progress.

**TABLE 4**  
**CAPITAL ASSET AT YEAR END - Net of depreciation**

	Governmental Activities		Business-type Activities		Total Government	
	2014	2015	2014	2015	2014	2015
Land	\$ 9,090,437	\$ 10,739,560	\$ 259,312	\$ 259,312	\$ 9,349,749	\$ 10,998,872
Buildings & structures	30,378,887	30,527,570	28,274,615	28,522,539	58,653,502	59,050,109
Equipment	3,884,118	4,003,127	1,607,454	1,705,480	5,491,572	5,708,607
Vehicles	4,594,642	5,182,900	905,426	1,008,482	5,500,068	6,191,382
Infrastructure	34,483,081	34,771,218	52,677,728	53,561,972	87,160,809	88,333,190
Construction in progress	4,383,905	11,242,808	1,486,881	4,344,048	5,870,786	15,586,856
Less accumulated depreciation	(36,139,626)	(37,879,989)	(27,235,411)	(29,729,811)	(63,375,037)	(67,609,800)
<b>Total</b>	<b>\$ 50,675,444</b>	<b>\$ 58,587,194</b>	<b>\$ 57,976,005</b>	<b>\$ 59,672,022</b>	<b>\$ 108,651,449</b>	<b>\$ 118,259,216</b>

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

- South Beach Tsunami Evacuation Route Enhancement
- Agate Beach Storage Tank
- Naterlin Drive to State Park Sidewalk
- Aquatic Center and Parking Improvements Projects
- Airport New Runway Project (In progress)

**TABLE 5**  
**Change in Capital Assets**

	Governmental Activities		Business-type Activities		Total Government	
	2014	2015	2014	2015	2014	2015
Beginning balance	\$ 47,461,617	\$ 50,675,444	\$ 58,857,913	\$ 57,976,005	\$ 106,319,530	\$ 108,651,449
Additions	6,362,379	9,652,113	1,780,479	4,190,417	8,142,858	13,842,530
Depreciation	(1,773,962)	(1,740,363)	(2,282,034)	(2,494,399)	(4,055,996)	(4,234,762)
Deletions	(1,374,590)	-	(380,353)	-	(1,754,943)	-
<b>Ending Balance</b>	<b>\$ 50,675,444</b>	<b>\$ 58,587,194</b>	<b>\$ 57,976,005</b>	<b>\$ 59,672,023</b>	<b>\$ 108,651,449</b>	<b>\$ 118,259,217</b>

**Long-term debt**

The City has three major types of debt:

- General Obligations 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 Government activities and those funding Business type activities.

In fiscal year 2015, the City added \$4.554 million in debt from a bank borrowing for the implementation of planned water projects and another \$5.456 million to fund South Beach Urban Renewal projects.



**TABLE 6**  
**OUTSTANDING DEBT AT YEAR END**

<b>GOVERNMENTAL FUNDS</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY2015</b>
2014 Series GO for Pool	\$ -	\$ 7,900,000	\$ 7,850,000
2007 Certificate of Participation (LoCap)	215,000	200,000	185,000
2009 Certificate of Participation (LoCap)	1,585,000	1,340,000	1,085,000
2012 North Side Fire Station	252,104	239,756	226,776
2010B Series, Full Faith & Refunding	6,555,000	5,840,000	5,270,000
2007 Series, Bank of America	417,000	321,000	219,000
2008 Series, Bank of America	1,400,000	1,145,000	875,000
2015 A & B Urban Renewal	-	-	5,456,000
Dell Finance - Capital Leases *	-	48,248	57,778
City Bond Premium	162,384	528,118	494,405
URA Bond Premium	50,232	45,208	40,185
<b>Total Governmental Debt</b>	<b>\$ 10,636,720</b>	<b>\$ 17,607,330</b>	<b>\$ 21,759,144</b>
<b>BUSINESS TYPE FUNDS</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY2015</b>
2009 GO Water Improvement Bonds (WTP)	14,485,541	14,485,541	13,845,541
2008 GO Refunding Bonds (Wastewater)	4,240,000	4,240,000	3,455,000
2010A Series, Full Faith & Refunding	3,975,000	3,975,000	3,560,000
Clean Water SRF Draw	-	339,500	1,858,187
2007 Seal Rock Water District Agreement	846,913	846,913	794,505
2015 Water Borrowing	-	-	4,554,800
Bond Premium	365,962	365,962	332,637
<b>Total Business Type Debt</b>	<b>\$ 23,913,416</b>	<b>\$ 24,252,916</b>	<b>\$ 28,400,670</b>
<b>TOTALS:</b>	<b>\$ 34,550,136</b>	<b>\$ 41,860,246</b>	<b>\$ 50,159,815</b>

\* Capital Leases removed inadvertently in 2013-14 Fiscal Year so they have been added back.


\*\* Clean Water SRF Loan added to Governmental in error, restated in 2014-15 Fiscal Year.

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 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 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 year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions.

**Request for information.** The 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: ASST. FINANCE DIRECTOR

**CITY OF NEWPORT, OREGON**  
**STATEMENT OF NET POSITION**

June 30, 2015

	Govern- mental Activities	Business- type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 25,245,986	\$ 1,984,987	\$ 27,230,973
Internal balances	(1,148,818)	1,148,818	-
Receivables			
Property taxes	824,943	164,687	989,630
Accounts	927,462	1,198,619	2,126,081
Inventories	-	328,181	328,181
Prepaid items	66,011	-	66,011
Restricted cash and investments	38,260	4,529,947	4,568,207
Net pension asset	566,824	-	566,824
Land for resale	9,751	-	9,751
Land and construction in progress	21,982,368	4,603,360	26,585,728
Other capital assets, net of depreciation	36,604,826	55,068,662	91,673,488
Total assets	<u>85,117,613</u>	<u>69,027,261</u>	<u>154,144,874</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	<u>424,064</u>	<u>23,276</u>	<u>447,340</u>
<b>LIABILITIES</b>			
Accounts payable	490,167	461,303	951,470
Withholding & taxes payable	187,782	31,638	219,420
Accrued interest payable	51,682	100,144	151,826
Amounts held in trust	112,331	-	112,331
Refundable deposits and advances	2,868	234,896	237,764
Long-term obligations			
Due within one year			
Accrued vacation	402,342	61,819	464,161
All other debt	1,582,644	2,122,791	3,705,435
Due in more than one year			
OPEB	237,627	41,496	279,123
All other debt	19,641,910	25,945,242	45,587,152
Net pension liability	900,164	278,741	1,178,905
Unamortized premium on debt issuance	534,590	332,637	867,227
Total liabilities	<u>24,144,107</u>	<u>29,610,707</u>	<u>53,754,814</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	1,110,863	-	1,110,863
Unearned revenue	51,999	-	51,999
Total deferred inflows	<u>1,162,862</u>	<u>-</u>	<u>1,162,862</u>
<b>NET POSITION</b>			
Net investment in capital assets	36,828,050	31,271,352	68,099,402
Restricted for:			
Capital projects	15,736,509	3,122,889	18,859,398
Debt service	2,631,333	1,425,187	4,056,520
Unrestricted	5,038,816	3,620,402	8,659,218
Total net position	<u>\$ 60,234,708</u>	<u>\$ 39,439,830</u>	<u>\$ 99,674,538</u>

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

**CITY OF NEWPORT, OREGON**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2015

	Program Revenues				Total Program Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>FUNCTIONS/PROGRAMS</b>					
<b>Governmental activities</b>					
General government	\$ 5,446,621	\$ 3,517,226	\$ 35,333	\$ 5,688,908	\$ 9,241,467
Public safety	5,185,741	429,024	57,067	-	486,091
Highways and streets	1,905,912	441,582	-	-	441,582
Culture and recreation	2,600,685	691,150	34,965	289,301	1,015,416
Interest on long-term obligations	758,037	-	-	-	-
Total governmental activities	<u>15,896,996</u>	<u>5,078,982</u>	<u>127,365</u>	<u>5,978,209</u>	<u>11,184,556</u>
<b>Business-type activities</b>					
Water	3,622,964	3,573,859	-	-	3,573,859
Sewer	4,334,154	3,841,320	-	-	3,841,320
Capital projects	247,936	-	-	-	-
Total business-type activities	<u>8,205,054</u>	<u>7,415,179</u>	<u>-</u>	<u>-</u>	<u>7,415,179</u>
Totals	<u>\$ 24,102,050</u>	<u>\$ 12,494,161</u>	<u>\$ 127,365</u>	<u>\$ 5,978,209</u>	<u>\$ 18,599,735</u>

**General revenues:**

Property taxes used for general purposes  
Property taxes used for debt service  
Transient room taxes used for general purposes  
Franchise fees  
Motor fuel taxes  
Cigarette and alcoholic beverage taxes  
Unrestricted investment earnings  
Miscellaneous  
Transfers  
Total general revenues and transfers  
Change in net position  
Prior period adjustments  
Net position - beginning  
Net position - beginning (restated)  
Net position - ending

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

Net (Expense) Revenue and Change in Net Position			
Governmental Activities	Business- type Activities	Totals	
			<b>Governmental activities</b>
\$ 3,794,846	\$ -	\$ 3,794,846	General government
(4,699,650)	-	(4,699,650)	Public safety
(1,464,330)	-	(1,464,330)	Highways and streets
(1,585,269)	-	(1,585,269)	Culture and recreation
(758,037)	-	(758,037)	Interest on long-term obligations
(4,712,440)	-	(4,712,440)	Total governmental activities
			<b>Business-type activities</b>
-	(49,105)	(49,105)	Water
-	(492,834)	(492,834)	Sewer
-	(247,936)	(247,936)	Capital projects
-	(789,875)	(789,875)	Total business-type activities
(4,712,440)	(789,875)	(5,502,315)	Totals
			<b>General revenues:</b>
6,245,760	-	6,245,760	Property taxes used for general purposes
2,408,623	1,928,761	4,337,384	Property taxes used for debt service
3,167,392	-	3,167,392	Transient room taxes used for general purposes
724,801	-	724,801	Franchise fees
1,308,389	-	1,308,389	Motor fuel taxes
240,401	-	240,401	Cigarette and alcoholic beverage taxes
106,880	67,944	174,824	Unrestricted investment earnings
379,998	376,389	756,387	Miscellaneous
(172,072)	172,072	-	<b>Transfers</b>
14,410,172	2,545,166	16,955,338	Total general revenues and transfers
9,697,732	1,755,291	11,453,023	Change in net position
(1,502,673)	(277,608)	(1,780,281)	Prior period adjustments
52,039,649	37,962,147	90,001,796	Net position - beginning
50,536,976	37,684,539	88,221,515	Net position - beginning (restated)
\$ 60,234,708	\$ 39,439,830	\$ 99,674,538	Net position - ending

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

**CITY OF NEWPORT, OREGON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2015

	General	Parks and Recreation	Agate Beach Closure	Debt Service NURA	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 3,050,386	\$ 529,691	\$ 1,417,225	\$ 2,540,205	\$ 12,034,154	\$ 5,674,325	\$ 25,245,986
Receivables:							
Property taxes	604,440	-	-	197,247	-	23,256	824,943
Accounts	229,676	3,764	921	-	109,275	583,826	927,462
Other	-	-	-	-	-	9,751	9,751
Prepaid items	111	3,036	-	-	-	62,864	66,011
Restricted cash and investments	-	-	-	-	-	38,260	38,260
<b>Total assets</b>	<b><u>\$ 3,884,613</u></b>	<b><u>\$ 536,491</u></b>	<b><u>\$ 1,418,146</u></b>	<b><u>\$ 2,737,452</u></b>	<b><u>\$ 12,143,429</u></b>	<b><u>\$ 6,392,282</u></b>	<b><u>\$ 27,112,413</u></b>
<b>LIABILITIES</b>							
Accounts payable	\$ 144,662	\$ 22,811	\$ 20,308	\$ -	\$ 198,637	103,749	\$ 490,167
Withholding & taxes payable	146,180	12,068	-	-	-	29,534	187,782
Deposits	1,228	-	-	-	-	1,640	2,868
Amounts held in trust	112,331	-	-	-	-	-	112,331
<b>Total liabilities</b>	<b><u>404,401</u></b>	<b><u>34,879</u></b>	<b><u>20,308</u></b>	<b><u>-</u></b>	<b><u>198,637</u></b>	<b><u>134,923</u></b>	<b><u>793,148</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue	485,049	84,608	-	159,957	-	84,372	813,986
Withholding & taxes payable							
<b>FUND BALANCES</b>							
Nonspendable	111	3,036	-	-	-	62,864	66,011
Amounts held in trust	-	-	1,397,838	2,577,495	11,944,792	2,447,717	18,367,842
Committed	176,067	413,968	-	-	-	3,662,406	4,252,441
Unassigned	2,818,985	-	-	-	-	-	2,818,985
<b>Total fund balances</b>	<b><u>2,995,163</u></b>	<b><u>417,004</u></b>	<b><u>1,397,838</u></b>	<b><u>2,577,495</u></b>	<b><u>11,944,792</u></b>	<b><u>6,172,987</u></b>	<b><u>25,505,279</u></b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b><u>\$ 3,884,613</u></b>	<b><u>\$ 536,491</u></b>	<b><u>\$ 1,418,146</u></b>	<b><u>\$ 2,737,452</u></b>	<b><u>\$ 12,143,429</u></b>	<b><u>\$ 6,392,282</u></b>	<b><u>\$ 27,112,413</u></b>

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

**CITY OF NEWPORT, OREGON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2015

Total fund balances per governmental funds balance sheet		\$ 25,505,279
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land and construction in progress	21,982,368	
Other	74,484,815	
Accumulated depreciation	<u>(37,879,989)</u>	
Total capital assets adjustments		58,587,194
Other long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.		
Property taxes and assessments	<u>761,987</u>	
Total deferred revenue adjustments		761,987
Transactions between governmental activities and business-type activities results in internal balances		
Internal charges reported as governmental activities	<u>(1,148,818)</u>	
Net adjustments for internal charges		(1,148,818)
Long-term liabilities, including bonds payable, loans payable, and salaries, withholdings, vacations, and taxes payable are not due and payable in the current period and, therefore, are not reported in the funds.		
Long-term obligations	(21,224,554)	
Premium	(534,590)	
Interest payable on long-term debt	(51,682)	
Other post employment benefits	(237,627)	
Compensated absences	<u>(402,342)</u>	
Total long-term obligations adjustments		(22,450,795)
GASB 68 pension related items		
Net pension asset	566,824	
Net pension liability	(900,164)	
Deferred outflow	424,064	
Deferred Inflow	<u>(1,110,863)</u>	
Total other adjustments		(1,020,139)
Net position of governmental activities		<u>\$ 60,234,708</u>

The notes to the basic financials are an integral part of this statement.

**CITY OF NEWPORT, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
for the year ended June 30, 2015

	General	Parks and Recreation	Agate Beach Closure	Debt Service NURA	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes:							
Property	\$ 6,181,594	\$ -	\$ -	\$ 1,890,921	\$ -	\$ 517,702	\$ 8,590,217
Transient room	1,705,342	-	-	-	-	1,462,050	3,167,392
Franchise fees, privilege taxes, licenses, and permits	1,335,916	-	-	-	140,202	200,292	1,676,410
Intergovernmental	963,505	-	11,232	-	5,720,013	584,599	7,279,349
Charges for services	885,871	612,308	-	-	558,797	1,962,729	4,019,705
Fines and forfeitures	164,816	-	-	-	-	-	164,816
Interest on investments	11,962	1,740	5,552	18,454	48,528	20,644	106,880
Miscellaneous	316,861	49,293	-	-	36,633	92,391	495,178
<b>Total revenues</b>	<b>11,565,867</b>	<b>663,341</b>	<b>16,784</b>	<b>1,909,375</b>	<b>6,504,173</b>	<b>4,840,407</b>	<b>25,499,947</b>
<b>EXPENDITURES</b>							
Current:							
General government	3,061,269	-	33,878	-	240,905	2,134,983	5,471,035
Public safety	4,935,829	-	-	-	-	-	4,935,829
Highways and streets	-	-	-	-	-	1,396,889	1,396,889
Culture and recreation	954,867	1,297,487	-	-	-	-	2,252,354
Debt service:							
Principal	-	-	-	942,000	-	332,980	1,274,980
Interest	-	-	-	273,078	-	484,959	758,037
Capital Outlay	410,264	10,340	-	-	7,373,864	1,857,645	9,652,113
<b>Total expenditures</b>	<b>9,362,229</b>	<b>1,307,827</b>	<b>33,878</b>	<b>1,215,078</b>	<b>7,614,769</b>	<b>6,207,456</b>	<b>25,741,237</b>
Excess (deficiency) of revenues over expenditures	2,203,638	(644,486)	(17,094)	694,297	(1,110,596)	(1,367,049)	(241,290)
<b>OTHER FINANCING SOURCES (USES)</b>							
Debt issuance	-	-	-	-	-	5,456,000	5,456,000
Transfers in	182,687	828,981	-	-	3,503,106	1,011,120	5,525,894
Transfers out	(1,509,403)	-	-	-	(62,083)	(4,126,480)	(5,697,966)
<b>Total other financing sources (uses)</b>	<b>(1,326,716)</b>	<b>828,981</b>	<b>-</b>	<b>-</b>	<b>3,441,023</b>	<b>2,340,640</b>	<b>5,283,928</b>
<b>Net change in fund balances</b>	<b>876,922</b>	<b>184,495</b>	<b>(17,094)</b>	<b>694,297</b>	<b>2,330,427</b>	<b>973,591</b>	<b>5,042,638</b>
Fund balance - beginning	2,158,427	232,509	1,414,932	1,883,198	9,614,365	5,199,396	20,502,827
Prior period adjustments	(40,186)	-	-	-	-	-	(40,186)
<b>Fund balance - ending</b>	<b>\$ 2,995,163</b>	<b>\$ 417,004</b>	<b>\$ 1,397,838</b>	<b>\$ 2,577,495</b>	<b>\$ 11,944,792</b>	<b>\$ 6,172,987</b>	<b>\$ 25,505,279</b>

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

**CITY OF NEWPORT, OREGON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ 5,042,638
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and disposals in the current period.</p>		
Capital outlay	9,652,113	
Depreciation for the current fiscal year	(1,740,363)	
Total capital outlay/depreciation adjustment		7,911,750
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	114,992	
Total revenue adjustments		114,992
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		(4,181,020)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated absences	(63,521)	
Other postemployment benefit	(75,376)	
Accrued interest on long-term obligations	(40,460)	
Bond premium amortization	38,736	
Capital leases	(9,530)	
GASB 68 pension related items	761,531	
Total expense/expenditure adjustments		611,380
<p>The net expense of certain activities of internal service charges is reported with governmental activities.</p>		
Public Works Services Fund	197,992	
Total internal service charges adjustments		197,992
Change in net position of the governmental activities		<u>\$ 9,697,732</u>

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



**CITY OF NEWPORT, OREGON**  
**GENERAL FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
Property taxes:				
Current Property Taxes	\$ 5,719,800	\$ 5,719,800	\$ 5,925,405	\$ 205,605
Delinquent Property Taxes	200,000	200,000	256,189	56,189
Transient Room Tax	1,323,000	1,323,000	1,705,342	382,342
Fees In Lieu Of Franchise	383,250	383,250	368,287	(14,963)
Vrc/B&B Endorsement Tax	3,000	3,000	3,261	261
State Cigarette Tax	12,700	12,700	13,521	821
State Liquor Proration	144,780	144,780	145,737	957
Franchise Tax-Georgia Pacific	875,000	875,000	755,838	(119,162)
Franchise Tax-Centrail Lincoln	-	-	24,579	24,579
Franchise Tax-Thompson	-	-	8,815	8,815
Franchise Tax-Miscellaneous	-	-	4,409	4,409
Homeland Fire Grant	-	-	48,705	48,705
Fema Grant	196,125	196,125	-	(196,125)
Law Enforcement Grant	13,000	13,000	-	(13,000)
Bullet Proof Vest Grant	-	-	2,862	2,862
State Revenue Sharing	115,000	115,000	121,329	6,329
D L C D Planning Grant	9,000	16,500	7,500	(9,000)
Ready To Read Grant	-	-	1,165	1,165
Newport Rural Fire Protection	228,026	228,026	225,576	(2,450)
Lincoln County Grant	-	7,500	7,500	-
Miscellaneous Grant	12,500	12,500	47,201	34,701
Cis Return To Work Grant	10,000	10,000	21,308	11,308
Library Foundation Grant	-	80,000	26,300	(53,700)
Lincoln Cnty Library District	335,000	335,000	289,301	(45,699)
Service Provided Parks & Rec	73,799	74,899	74,899	-
Service Provided Pub Parking	3,000	3,000	3,000	-
Service Provided Housing	4,743	4,743	4,743	-
Service Provided Airport	54,679	54,679	54,679	-
Service Provided Room Tax	80,975	80,975	80,975	-
Service Provided Building Insp	25,051	25,051	25,051	-
Service Provided Street	62,907	62,907	62,907	-
Service Provided Agate Beach	270	270	270	-
Service Provided Nura	28,167	28,167	28,167	-
Service Provided Water	231,685	231,685	231,685	-
Service Provided Wastewater	276,197	276,197	276,197	-
Service Provided Public Works	32,098	43,298	43,298	-
K-9 Program	5,000	5,000	5,500	500
Rents & Leases	92,000	92,000	124,049	32,049
Land Use Fees	-	-	28,773	28,773
Municipal Court Fines	140,000	140,000	154,989	14,989
Library Fines	10,000	10,000	9,827	(173)
Training Court Cost	-	-	1,258	1,258
Business Licenses	140,000	140,000	141,954	1,954
Interest On Investments	12,000	12,000	11,962	(38)
Misc. Sales & Services	100,000	112,000	185,029	73,029
Gifts & Donations	-	-	6,000	6,000
Special Event/Fundraising	-	-	525	525
<b>Total revenues</b>	<b>10,952,752</b>	<b>11,072,052</b>	<b>11,565,867</b>	<b>493,815</b>
<b>Other financing sources</b>				
Transfer From Room Tax Fund	5,000	182,687	182,687	-
<b>Total other financing sources</b>	<b>5,000</b>	<b>182,687</b>	<b>182,687</b>	<b>-</b>

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

Continued on next page

**CITY OF NEWPORT, OREGON**  
**GENERAL FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL, continued**  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under)
<b>Fund balance, beginning</b>				
Undesignated	\$ 2,237,369	\$ 2,237,369	\$ 2,158,427	\$ (78,942)
Prior period Adjustments	-	-	( 40,186)	
Total Fund Balance, beginning	<u>2,237,369</u>	<u>2,237,369</u>	<u>2,118,241</u>	<u>(78,942)</u>
Amount available for appropriation	<u>13,195,121</u>	<u>13,492,108</u>	<u>13,866,795</u>	<u>414,873</u>
<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
City Administration	\$ 1,903,046	\$ 1,935,346	1,764,639	\$ 170,707
Police	3,713,015	3,707,515	3,442,274	265,241
Fire	2,027,728	2,038,228	1,741,547	296,681
Library	980,480	1,060,480	1,047,117	13,363
Community Development	292,367	265,067	253,101	11,966
Facilities and Parks	749,193	749,193	688,941	60,252
Non Departmental	426,656	425,956	424,610	1,346
Contingency	489,605	570,671	-	570,671
Total expenditures	<u>10,582,090</u>	<u>10,752,456</u>	<u>9,362,229</u>	<u>1,390,227</u>
<b>Other financing uses</b>				
Transfers to other funds	<u>1,382,782</u>	<u>1,509,403</u>	<u>1,509,403</u>	-
Total expenditures and other financing uses	<u>11,964,872</u>	<u>12,261,859</u>	<u>10,871,632</u>	<u>1,390,227</u>
<b>Fund balance, ending</b>	<u>\$ 1,230,249</u>	<u>\$ 1,230,249</u>	<u>\$ 2,995,163</u>	<u>\$ 1,764,914</u>

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

**CITY OF NEWPORT, OREGON**  
**PARKS AND RECREATION FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under)
<b>Revenues</b>				
Interest On Investments	\$ 2,000	\$ 2,000	\$ 1,740	\$ (260)
Special Event	35,000	35,000	32,340	(2,660)
Rents & Leases	8,600	8,600	24,102	15,502
Senior Center Revenue	4,000	4,000	4,181	181
Misc. Sales & Services	7,400	7,400	4,997	(2,403)
Gifts & Donations	800	800	7,794	6,994
Swimming Pool Revenues	-	-	720	720
Swimming Pool Passes	60,000	60,000	59,497	(503)
Swimming Pool Daily Fees	15,000	15,000	16,170	1,170
Swimming Pool Lessons	19,000	19,000	14,140	(4,860)
Swimming Pool Merchandise	2,000	2,000	2,035	35
Swimming Pool Rentals	10,000	10,000	14,719	4,719
Swimming Pool Special Events	3,500	3,500	3,261	(239)
Recreation Center	255,000	255,000	275,944	20,944
Concessions	9,000	9,000	10,365	1,365
Activity Programs - Youth	90,000	90,000	136,324	46,324
Activity Programs-Seniors	1,000	1,000	1,286	286
Activity Programs-Adult	19,000	19,000	14,955	(4,045)
Misc Rec Program	700	700	-	(700)
Sports Programs-Adults	11,000	11,000	14,470	3,470
Sports Programs-Youth	26,000	26,000	24,301	(1,699)
Total revenues	<u>579,000</u>	<u>579,000</u>	<u>663,341</u>	<u>84,341</u>
	-			
<b>Other financing sources</b>				
Transfer From General Fund	648,481	648,481	648,481	-
Transfer From Room Tax Fund	180,500	180,500	180,500	-
Total other financing sources	<u>828,981</u>	<u>828,981</u>	<u>828,981</u>	-
<b>Fund balance, beginning</b>	<u>79,231</u>	<u>83,931</u>	<u>232,509</u>	<u>148,578</u>
Amount available for appropriation	<u>\$ 1,487,212</u>	<u>\$ 1,491,912</u>	<u>1,724,831</u>	<u>\$ 232,919</u>
	Original Budget	Final Budget	Actual	(Over) Under
<b>Expenditures</b>				
Parks Administration	\$ 151,152	\$ 165,852	164,055	\$ 11,326
Senior Center	146,059	146,059	133,436	12,623
Swimming Pool	393,982	393,982	356,493	37,489
Recreation Center	430,109	430,109	407,728	22,381
Recreation Programs	126,130	141,130	140,845	285
Sports Programs	111,017	111,017	105,270	5,747
Total expenditures	<u>\$ 1,358,449</u>	<u>\$ 1,388,149</u>	<u>1,307,827</u>	<u>\$ 80,322</u>
<b>Other financing uses</b>				
Contingency	128,763	103,763	-	103,763
Total expenditures and other financing uses	<u>\$ 1,487,212</u>	<u>\$ 1,491,912</u>	<u>1,307,827</u>	<u>\$ 184,085</u>
<b>Fund balance, ending</b>			<u>\$ 417,004</u>	

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

**CITY OF NEWPORT, OREGON**  
**AGATE BEACH CLOSURE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
Agate Beach Closure Fees	\$ 12,000	\$ 12,000	\$ 11,232	\$ (768)
Interest On Investments	5,000	5,000	5,552	552
Total revenues	<u>17,000</u>	<u>17,000</u>	<u>16,784</u>	<u>(216)</u>
<b>Fund balance, beginning</b>	<u>1,414,749</u>	<u>1,414,749</u>	<u>1,414,932</u>	<u>183</u>
Amount available for appropriation	<u>\$ 1,431,749</u>	<u>\$ 1,431,749</u>	<u>1,431,716</u>	<u>\$ (33)</u>
<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
Materials and services	\$ 60,270	\$ 60,270	33,878	\$ 26,392
Contingency	1,371,479	1,371,479	-	1,371,479
Total expenditures	<u>\$ 1,431,749</u>	<u>\$ 1,431,749</u>	<u>33,878</u>	<u>\$ 1,397,871</u>
<b>Fund balance, ending</b>			<u>\$ 1,397,838</u>	

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

**CITY OF NEWPORT, OREGON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2015

	Business-type Activities					Totals Enterprise Funds
	Water	Sewer	Debt Service Water	Debt Service Sewer	Cap Proj Proprietary	
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 1,564,192	\$ 420,795	\$ -	\$ -	\$ -	\$ 1,984,987
Receivables:						
Property taxes	-	-	81,669	83,018	-	164,687
Accounts	434,693	600,329	-	-	163,597	1,198,619
Inventories	328,181	-	-	-	-	328,181
<b>Total current assets</b>	<b>2,327,066</b>	<b>1,021,124</b>	<b>81,669</b>	<b>83,018</b>	<b>163,597</b>	<b>3,676,474</b>
Noncurrent assets:						
Cash and investments restricted for debt service	-	-	121,044	1,139,456	-	1,260,500
Cash and investments restricted for capital projects	-	-	-	-	3,269,447	3,269,447
Capital assets (net of depreciation)	22,720,504	36,951,518	-	-	-	59,672,022
<b>Total noncurrent assets</b>	<b>22,720,504</b>	<b>36,951,518</b>	<b>121,044</b>	<b>1,139,456</b>	<b>3,269,447</b>	<b>64,201,969</b>
<b>Total assets</b>	<b>25,047,570</b>	<b>37,972,642</b>	<b>202,713</b>	<b>1,222,474</b>	<b>3,433,044</b>	<b>67,878,443</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension related items	12,637	10,639	-	-	-	23,276
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	129,814	52,972	-	-	310,155	492,941
Interest payable	71,963	28,181	-	-	-	100,144
Refundable deposits	234,896	-	-	-	-	234,896
Bonds payable, current portion	882,791	1,240,000	-	-	-	2,122,791
<b>Total current liabilities</b>	<b>1,319,464</b>	<b>1,321,153</b>	<b>-</b>	<b>-</b>	<b>310,155</b>	<b>2,950,772</b>
Long-term obligations						
Net pension liability	151,330	127,411	-	-	-	278,741
Compensated absences	33,154	28,665	-	-	-	61,819
Other postemployment benefits	23,645	17,851	-	-	-	41,496
Bonds payable - long-term portion	20,324,317	5,953,562	-	-	-	26,277,879
<b>Total long-term obligations</b>	<b>20,532,446</b>	<b>6,127,489</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,659,935</b>
<b>Total liabilities</b>	<b>21,851,910</b>	<b>7,448,642</b>	<b>-</b>	<b>-</b>	<b>310,155</b>	<b>29,610,707</b>
<b>NET POSITION</b>						
Net investment in capital assets	1,513,396	29,757,956	-	-	-	31,271,352
Restricted for capital construction	-	-	-	-	3,122,889	3,122,889
Restricted for debt service	-	-	202,713	1,222,474	-	1,425,187
Unrestricted	1,694,901	776,683	-	-	-	2,471,584
<b>Total net position</b>	<b>\$ 3,208,297</b>	<b>\$ 30,534,639</b>	<b>\$ 202,713</b>	<b>\$ 1,222,474</b>	<b>\$ 3,122,889</b>	<b>38,291,012</b>
Internal balances for transactions with Governmental Activities						1,148,818
Net position of business-type activities						<b>\$ 39,439,830</b>

The notes to the basic financials are an integral part of this statement.

**CITY OF NEWPORT, OREGON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
for the year ended June 30, 2015

	Business-type Activities					Totals Enterprise Funds
	Water	Sewer	Debt Service Water	Debt Service Sewer	Capital Projects Proprietary	
<b>OPERATING REVENUES:</b>						
Service charges and fees	\$ 3,573,859	\$ 3,841,320	\$ -	\$ -	\$ -	\$ 7,415,179
Miscellaneous	108,290	6,299	-	-	261,800	376,389
Total operating revenues	<u>3,682,149</u>	<u>3,847,619</u>	<u>-</u>	<u>-</u>	<u>261,800</u>	<u>7,791,568</u>
<b>OPERATING EXPENSES:</b>						
Salaries and wages	747,531	657,916	-	-	-	1,405,447
Contracted services	40,864	24,185	-	-	247,936	312,985
Property services	242,332	274,945	-	-	-	517,277
Operating supplies	265,809	192,948	-	-	-	458,757
Utilities	188,537	292,722	-	-	-	481,259
Depreciation and amortization	918,055	1,576,344	-	-	-	2,494,399
Repairs and maintenance	128,316	409,257	-	-	-	537,573
Charges for services	477,001	552,667	-	-	-	1,029,668
Miscellaneous	135,028	48,364	-	-	-	183,392
Total operating expenses	<u>3,143,473</u>	<u>4,029,348</u>	<u>-</u>	<u>-</u>	<u>247,936</u>	<u>7,420,757</u>
Operating income (loss)	<u>538,676</u>	<u>(181,729)</u>	<u>-</u>	<u>-</u>	<u>13,864</u>	<u>370,811</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Property taxes	-	-	953,436	975,325	-	1,928,761
Interest on investments	4,580	39,114	1,813	5,611	16,826	67,944
Interest	(39,482)	-	(242,017)	(304,806)	-	(586,305)
Total nonoperating revenues (expenses)	<u>(34,902)</u>	<u>39,114</u>	<u>713,232</u>	<u>676,130</u>	<u>16,826</u>	<u>1,410,400</u>
Income (loss) before capital contributions and transfers	503,774	(142,615)	713,232	676,130	30,690	1,781,211
Transfers in	2,813,529	2,934,492	60,000	768,438	6,980,012	13,556,471
Transfers out	(6,436,553)	(1,090,636)	(769,397)	(1,200,000)	(3,887,813)	(13,384,399)
Change in net position	(3,119,250)	1,701,241	3,835	244,568	3,122,889	1,953,283
Net position - beginning	6,483,436	28,955,117	198,878	977,906	-	-
Prior period adjustments	(155,889)	(121,719)	-	-	-	-
Net position - ending	<u>\$ 3,208,297</u>	<u>\$ 30,534,639</u>	<u>\$ 202,713</u>	<u>\$ 1,222,474</u>	<u>\$ 3,122,889</u>	<u>\$ -</u>
Adjustment for the net effect of the current year internal services charges						(197,992)
Change in net position of business-type activities						<u>\$ 1,755,291</u>

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

**CITY OF NEWPORT, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
for the year ended June 30, 2015

	Business-type Activities					
			Debt Service		Capital	Total
	Water	Wastewater	Water	Wastewater	Projects	Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers	\$ 3,514,249	\$ 4,025,081	\$ -	\$ -	\$ 98,203	\$ 7,637,533
Cash payments to suppliers of goods and services	(1,477,760)	(1,965,646)	-	-	62,219	(3,381,187)
Cash payments to employees for services	(738,518)	(639,495)	-	-	-	(1,378,013)
Other operating revenues	108,290	6,299	-	-	-	114,589
Net cash provided by (used in) operating activities	<u>1,406,261</u>	<u>1,426,239</u>	<u>-</u>	<u>-</u>	<u>160,422</u>	<u>2,992,922</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Property taxes	-	-	888,233	967,832	-	1,856,065
Transfers out	(363,066)	(1,090,636)	(109,189)	-	-	(1,562,891)
Net cash provided by (used in) noncapital financing activities	<u>(363,066)</u>	<u>(1,090,636)</u>	<u>779,044</u>	<u>967,832</u>	<u>-</u>	<u>293,174</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Bank borrowing for projects	-	-	-	-	4,554,800	4,554,800
Operating transfer for projects	-	-	-	768,438	2,425,212	3,193,650
Fund reallocations	-	-	(275,565)	275,565	-	-
Purchase of capital assets	(194,702)	(107,901)	-	-	(3,887,813)	(4,190,416)
Principal paid on loan	(32,200)	-	(660,208)	(1,200,000)	-	(1,892,408)
Interest paid on long-term debt	-	-	(242,017)	(304,806)	-	(546,823)
Net cash (used) in capital and related financing activities	<u>(226,902)</u>	<u>(107,901)</u>	<u>(1,177,790)</u>	<u>(460,803)</u>	<u>3,092,199</u>	<u>1,118,803</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest on investments	4,580	1,913	1,813	5,611	16,826	30,743
Net increase (decrease) in cash and investments	820,873	229,615	(396,933)	512,640	3,269,447	4,435,642
<b>Cash and investments, July 1, 2014</b>	<u>743,319</u>	<u>191,180</u>	<u>517,977</u>	<u>626,816</u>	<u>-</u>	<u>2,079,292</u>
<b>Cash and investments, June 30, 2015</b>	<u>\$ 1,564,192</u>	<u>\$ 420,795</u>	<u>\$ 121,044</u>	<u>\$ 1,139,456</u>	<u>\$ 3,269,447</u>	<u>6,514,934</u>

Continued on next page

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

**CITY OF NEWPORT, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
for the year ended June 30, 2015

	Business-type Activities				Total Enterprise Funds	
	Water	Sewer	Debt Service Water	Debt Service Wastewater		Capital Projects
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>						
Operating income (loss) (page 24)	\$ 538,676	\$ (181,729)	\$ -	\$ -	\$ 13,864	\$ 370,811
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	918,055	1,576,344	-	-	-	2,494,399
Changes in assets and liabilities:						-
Receivables	(24,259)	204,589	-	-	(163,597)	16,733
Prepaid items	-	395	-	-	-	395
Deferred outflow of resources	(12,637)	(10,639)	-	-	-	(23,276)
Accounts payable	11,132	(147,633)	-	-	310,155	173,654
Unamortized issuance costs written off	(11,005)	(22,320)	-	-	-	(33,325)
Refundable deposits	(35,351)	-	-	-	-	(35,351)
Unearned revenues	-	(20,828)	-	-	-	(20,828)
Compensated absences	(8,755)	4,517	-	-	-	(4,238)
Other postemployment benefits	23,645	17,851	-	-	-	41,496
Net Pension Liability	6,760	5,692	-	-	-	12,452
Total adjustments	<u>867,585</u>	<u>1,607,968</u>	<u>-</u>	<u>-</u>	<u>146,558</u>	<u>2,622,111</u>
Net cash provided by operating activities	<u>\$ 1,406,261</u>	<u>\$ 1,426,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,422</u>	<u>\$ 2,992,922</u>

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



**CITY OF NEWPORT, OREGON**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND**  
June 30, 2015

		Pension Trust
<b>ASSETS</b>		
Cash and cash equivalents	\$	102,358
Receivables, net		53,895
Investments, at fair value		
Fixed income		7,307,399
Equities		2,704,724
Total assets		10,168,376
<b>NET POSITION</b>		
Net position held in trust for defined benefits pension		5,714,940
Net position held in trust for defined contribution pension		4,453,436
Total net position	\$	10,168,376

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

**CITY OF NEWPORT, OREGON**  
**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
for the year ended June 30, 2015

		Pension Trust
<b>ADDITIONS:</b>		
Employer contributions	\$	426,045
Investment earnings, net		3,800,114
Total additions		4,226,159
 <b>Deductions</b>		
Benefits		258,840
Administrative expenses		3,540,887
Total deductions		3,799,727
Change in net position		426,432
Net position - beginning		9,741,944
Net position - ending	\$	10,168,376

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

I am so clever that sometimes I don't understand a single word of what I am saying. *Oscar Wilde*

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Newport (the City) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements, as they apply to the City of Newport. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reporting Entity**

The City of Newport operates under a council-manager form of government instituted by a vote of the people on May 18, 1862, effective as of July 1, 1962. It provide for a mayor, six councilors and a city manager. As required by GAAP, these financial statements present the City and its one component unit, an entity for which the City is considered to be financially accountable, in accordance with GASB 61. A blended component unit, although a legally separate entity, is, in substance, part of the City's operations and, therefore, data from the unit is combined with the data of the City of Newport. The City's component unit has a year-end date of June 30.

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

**Blended Component Unit**

The Newport Urban Renewal Agency (NURA) serves the citizens of the City of Newport and is governed by a board comprised of the City's elected officials. NURA is reported as a governmental fund type. Its complete financial statement may be obtained at City Hall, Newport, OR 97365.

**Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize activities as either governmental or business-type. Governmental activities, which are normally supported by intergovernmental revenues and taxes, are reported separately from business-type activities, which rely on charges for support and fees.

*Government-wide financial statements* display information about the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the statement of net position and the statement of activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific segment or function. *Program revenues* include 1) charges to applicants or customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given segment or function, and 2) contributions and grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as *general revenues*.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basic Financial Statements (continued)**

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the supplemental information. The City does not have any fiduciary fund types.

**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 fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year 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 *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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

**General**

This is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenues are property taxes, franchise fees, state shared revenues, permits, municipal court fines, and licenses. Primary expenditures are for general government (planning), public safety (municipal court, police, and fire), and culture and recreation (library).

**Parks and Recreation**

This fund accounts for the activities related to the Parks and Recreation operations. Major sources of revenues are from transfers from General Fund, customer sales, and fees and charges related to activities. Expenditures are for the operations related to the Parks and Recreation operations and activities.

**Agate Beach Closure**

This fund accounts for the Agate Beach Disposal Site Closure. Major sources of revenues are fees collected through the disposal service companies. Expenditures are costs related to the closed site, namely various DEQ inspections and sampling.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

*Debt Service – Newport Urban Renewal Agency*

This fund accounts for the debt service related to the construction/operations of the Newport Urban Renewal Agency. For more detail please see the separately created financial report.

*Capital Projects*

A governmental fund used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Sources of funds include local, state, and federal support (grants); donations; and transfers from other funds.

The City reports the following major proprietary funds:

*Water*

All activities associated with the provision of water to citizens of Newport are reported in this fund. Activities include treatment, distribution, canal maintenance, plant expansion, administration, equipment replacement, economic development, and payment of related debt. The primary source of revenue is water service charges.

*Sewer*

All programs associated with the collection and treatment of wastewater in the City is reported in this fund. Other activities include system improvements, plant expansion, administration, equipment replacement, economic development, and payment of related debt. The primary source of revenue is sewer service charges.

*Debt Sewer – Water and Sewer*

The debt related the Water and Sewer funds are reported in two separate funds for both. The City utilizes these two fund to account for debt service expense for bonds and other borrowings related to the Water and Sewer funds. Both the Water and Sewer have bond issues funded by property taxes. Other sources of funds include transient room taxes, financed assessments, SDC charges, and the general revenues of the Water and Sewer funds.

*Capital Projects – Proprietary*

The proprietary funds have a separate fund used to account for the acquisition or construction of major capital facilities financed by proprietary funds. Sources of funds include local, state, and federal support (grants), bank borrowings, and transfers from the Water and Sewer funds.

Additionally, the City reports the following nonmajor fund types:

*Special Revenue*

A governmental fund type used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Debt Service

The City utilizes this fund to account for debt service on bonds issued by the governmental funds. General obligation bonds are funded by property taxes. Other sources of funds include transient room taxes, financed assessments, and the general revenues of the City.

Capital Projects

A governmental fund type used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Sources of funds include local, state, and federal support; donations; and transfers from other funds.

Fiduciary

The fiduciary fund presented in the financials accounts for the pension assets held, contributions to and benefit payments of City of Newport's pension plan to provide retirement benefits to its employees.

Proprietary

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

In the government-wide and proprietary fund financial statements, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Cash and Investments**

The City's cash on hand and short-term investments are considered to be cash and investments. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, repurchase agreements, and the Oregon State Treasurer's Local Government Investment Pool (LGIP). The LGIP policies are governed by state statutes and the Oregon Investment Council, participation by local governments are voluntary. The report 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.

**Restricted Assets**

Assets whose use is restricted for construction, debt service, or by other agreement are segregated on the government-wide statement of net position and the proprietary fund statement of net position.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventories**

In the proprietary funds, inventories are stated and valued at cost (first-in, first-out method). Inventories are recorded as expenditures when purchased or donated and charged to expenses in the statement of activities and the enterprise funds when used.

In the governmental funds, no inventories are maintained as costs are expensed at the time of purchase. However, in the debt fund foreclosed land held for resale is recorded at the related lien plus cost of foreclosure.

**Receivables**

Management has determined that the direct method of accounting for uncollectible accounts receivable approximates the GAAP allowance for uncollectible accounts method. Therefore, no allowance for uncollectible accounts receivable has been presented. Uncollected property taxes receivable for the governmental fund types which are collected within 60 days following the year end are considered measurable and available and, accordingly, are recognized as revenues in the respective funds. All other uncollected property taxes receivable for the governmental fund types are offset by deferred revenues and, accordingly, have not been recorded as revenues. Uncollected property taxes, including delinquent accounts, are deemed to be substantially collectible or recoverable through foreclosure. The major sources of revenues which are subject to accrual include property taxes, accounts receivable for user charges, property assessments, and interest.

Assessments receivables 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 sale or transfer of the benefiting properties. The notes are recorded in the Capital Projects or Special Revenue Funds. The additional small notes originating from the sale of properties are recorded in various funds.

Property taxes become a lien against the property as of July 1 in the year in which they are due and are assessed in October through billing by the counties to the property owner. Payments are due in three equal installments on November 15, February 15, and May 15, with a three percent discount available for payment in full on November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Notes and contracts 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 revenues are recorded as revenues in all fund types as earned.

Receivables in the proprietary funds are recorded as revenues as they are earned, including services not yet billed.



**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value at the date of donation.

Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset, are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Vehicles and equipment	5-20 years
Buildings and improvements	10-40 years
Infrastructure	20-50 years

**Compensated Absences**

It is the City's policy to permit employees to earn vacation and sick pay benefits. No liability is reported for accumulated sick leave, as it does not vest when earned. Vacation pay is accrued as it is earned and is reported as a fund liability when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured; for example, as a result of employee resignations and retirements.

**Long-term Obligations**

In the government-wide financial statements, and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are expenses as incurred.

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

**Equity**

For the government-wide financial statements equity is classified as net position and displayed in three components:

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Equity (continued)**

- 1) Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- 2) Restricted balances - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.
- 3) Unrestricted balances - all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."**

This statement defines the different fund balance categories that a governmental entity must use for financial reporting purposes in its governmental fund types. It also provides additional classification based on the relative strengths of the constraints that control how specific monies can be spent. The statement requires governmental fund balance amounts to be properly reported within one of the fund balance categories listed below:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that are constrained for specific purposes imposed by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the City Council. Once adopted by the City Council, the limitation imposed by the resolution remains in place until a similar action is taken via a resolution.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent can be stipulated by the governing body or by an official to whom authority has been given by the governing body. The City Council has granted authority to the *City's Finance Director* and or his designee to assign fund balance amounts.

Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

In the governmental fund financial statements when an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions. However, when both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted amounts first, then unrestricted as they are needed.

The City of Newport has adopted this order of categories in Resolution No. 3642 on June 17, 2013, and has classified all funds in the proper category.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New Accounting Pronouncements and Accounting Standards**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting the City of Newport are detailed below.

**Net pension liability** – Previous standards defined pension liabilities in terms of the Annually Required Contribution. Statement No. 68 defines the net pension liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan’s fiduciary net position.

**Deferred inflows of resources and deferred outflows of resources** – Statement No. 68 includes recognition of deferred inflows and outflows of resources associated with the difference between projected and actual earnings on pension plan investments. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period.

Statement No. 68 is effective for financial statement periods beginning after June 15, 2014, with the effects of accounting change to be applied retroactively by restating the financial statements. The City of Newport adopted this new pronouncement in the current year and, accordingly, has restated amounts of effected balances within the government-wide and business-type financial statements as of June 30, 2014. See the Prior Period Adjustment note for details.

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

**Budgetary Information**

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law). The City Manager submits a proposed budget to the Budget Committee (consisting of the City Council and an equal number of citizens of the City, 14 members in all). The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The City Council may not increase approved expenditures for each fund by more than 10 percent without returning to the Budget Committee for a second approval.

The City is required to budget each fund. The City's budget is prepared for each fund on the modified accrual basis of accounting. Revenues and other increases in financial resources are recognized when they become both measurable and available. For the City, available means that the funds are collectible within 60 days of the end of the current period.

Expenditures are recognized when the fund liability is incurred, except for inventories of materials and supplies that may be considered expenditures when purchased, and prepaid insurance and other similar items that may be considered expenditures either when paid or consumed.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**Budgetary Information (continued)**

A City Council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control is either total appropriations by program within a fund or total fund appropriations segregated into the following categories: personnel services, materials and services, capital outlay, transfers out, and contingency. The budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Budget appropriations can be changed with City Council approval only.

An election must be held to approve general obligation debt pledging the full faith and credit of the City. As a result of Ballot Measure 50 and subsequent legislation, the City's permanent tax rate has been set at \$5.5938 per \$1,000 of assessed value. The assessed value (not including the urban renewal district) for 2014-15 was \$2,376,705. Assessed value is calculated on a property-by-property basis and is limited to a three percent increase annually. Compression of tax revenues comes into play when the real market value of an individual residential property is not sufficient to allow for an annual three percent increase in the assessed value.

The City budgets the following funds at the program level with the exception of contingency and transfers out:

General	Capital Project
Special Revenue	General (Government wide)
Parks and Recreation	Proprietary
Streets	General Fund Reserve
South Beach Urban Renewal Agency	Enterprise
Debt Service	Water
Water	Wastewater
Wastewater	Public Works Services
General	
Urban Renewal	

The budget is adopted for the following funds by total personnel services, materials and services, capital outlay, transfers out, and contingency:

General	Special Revenue
Nondepartmental	Line Underground
Special Revenue	SDC's
Housing	Enterprise
Airport	Water - Nondepartmental
Room Tax	Sewer - Nondepartmental
Building Inspection	

Unexpected additional resources may be appropriated through the use of a supplemental budget and City Council action. The original and supplemental budgets require hearings before the public, publications in newspapers, notice postings, and approval by the City Council. Original and supplemental budgets may be modified during the fiscal year by use of appropriation transfers between legal categories. Such transfers require approval of the City Council.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**Budgetary Information (continued)**

During the fiscal year ended June 30, 2015, the City made supplemental budget changes which totaled \$8,215,161, a 10.97% increase over the adopted budget. The following table outlines the supplemental budget changes by fund:

Fund	2014-15 Adopted Budget	2014-15 Final Budget	Change
101 General Fund	\$ 13,195,121	\$ 13,492,108	\$ 296,987
201 Parks & Recreation	1,487,212	1,491,912	4,700
211 Public Parking	325,972	325,972	-
212 Housing	194,840	194,840	-
220 Airport	964,019	1,144,019	180,000
230 Room Tax	1,619,674	2,061,155	441,481
240 Building Inspection	668,362	668,362	-
251 Streets	1,700,003	1,700,003	-
252 Line Underground	843,430	843,430	-
253 SDCs	1,233,982	1,233,982	-
254 Agate Beach Closure	1,431,749	1,431,749	-
270 Urban Renewal - SB	6,087,168	6,087,168	-
301 Debt Service - Water	1,781,288	1,781,288	-
302 Debt Service - Wastewater	2,639,272	2,639,272	-
303 Debt Service - General	865,528	865,528	-
304 Debt Service - Urban Renewal	3,767,276	3,767,276	-
402 Capital Projects - Gen Cap	17,334,560	24,681,426	7,346,866
403 Capital Projects - Proprietary	8,749,094	8,417,403	(331,691)
404 Reserve	500,000	500,000	-
601 Water	3,952,534	4,285,103	332,569
602 Wastewater	4,548,312	4,492,561	(55,751)
701 Public Works	966,099	966,099	-
	<u>\$ 74,855,495</u>	<u>\$ 83,070,656</u>	<u>\$ 8,215,161</u>

Expenditure appropriations may not legally be overspent, except in the case of unanticipated grant receipts.

**Excess of Expenditures over Appropriations**

For fiscal year 2014-15 the following funds, department programs and fund categories exceeded approved appropriations:

Urban Renewal Agency – Material and Services	(\$5,422)
*Debt Service - Water Fund (2009 Water Treatment and Seal Rock)	(902,225)
*Debt Service – Sewer Fund (2008 Sewer Refunding Bond)	(933,400)
*Debt Service – General Fund (2013 Swimming and General)	(819,911)
*Debt Service – Urban Renewal	(1,215,078)

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**Excess of Expenditures over Appropriations (continued)**

City consolidated and rearranged expenditures and fund in preparation for the conversion to the comprehensive annual financial reporting model and inadvertently moved actual debt issues and related costs into the four funds listed above. However, the budgets were not moved during supplemental budgets and thus the funds are over due to this oversight. Should this ever happen in the future a note has been made in the financial software system to alert finance staff.

**3. DETAILED NOTES**

**Cash and Investments**

The City pools virtually all funds for investment purposes. Each fund type's portion is displayed on the Statement of net position as 'Cash and investments' and 'Restricted cash and investments' (page 19).

Cash and investments included in the Statement of Net Position are as follows:

Cash on hand	\$ 1,489
Bank balances with financial institutions	56,918
State of Oregon Treasurer's short-term investment pool	31,740,773
Total cash and investments	\$ 31,799,180

Cash and investments are reflected on the Statement of Net Position as:

Cash and investments	\$ 30,500,420
Restricted cash and investments	1,298,760
Total cash and investments	\$ 31,799,180

**Financial Institutions**

Deposits with financial institutions are comprised of bank demand deposits, money market and savings accounts. At year end, the carrying amount of the City's net balance was \$58,407.

**Investments**

**Equity in Pooled Cash and Investments**

Oregon Revised Statutes, Chapter 294, authorize the City to invest in obligations of the U. S. Treasury, U. S. government agencies, bankers' acceptances issued by Oregon financial institutions, repurchase agreements, Oregon Short-term Fund, certain high-grade commercial paper, and various interest-bearing bonds of Oregon municipalities, among others.

The equity position of each fund participating in an internal investment pool is reported as assets of those funds. The City carries all investments at amortized cost as allowed by GASB No. 31. The implementation of GASB No. 31 is and has been immaterial to the government-wide financial statements since fiscal year end June 30, 2007.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES (continued)**

**Investments (continued)**

As of June 30, 2015, the City had the following investments:

Investment Type	Maturities	Rated	Fair Value
LGIP - General Account	N/A	Not Rated	\$ 14,769,674
LGIP - Pool Bond	N/A	Not Rated	7,913,892
LGIP - 2014 Water Rev Bond	N/A	Not Rated	3,593,931
LGIP - 2015 SB URA	N/A	Not Rated	5,463,276
			<u>\$ 31,740,773</u>
<b>Pension Trust Investments:</b>			
Equity	N/A	Not Rated	\$ 1,255,404
Money Market	N/A	Not Rated	306,203
Mutual Funds	N/A	Not Rated	8,450,516
			<u>10,012,123</u>

The Oregon Short-Term Fund Board (OSTFB) is an external investment pool as defined in GASB Statement No. 31. The Oregon Short-term Fund is not registered with the Securities Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council.

**Credit and concentration of credit risks**

At June 30, 2015, 100% of total investments were in the State Treasurer's Local Government Investment Pool (LGIP). 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 laws is made custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. 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, 2015. There were no known violations of legal or contractual provisions for deposits and investments for the fiscal year.

**Custodial risk – deposits**

This is the risk that in the event of a bank failure, the City of Newport's deposits might not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City of Newport's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest-bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2015, the City of Newport's bank balance of \$612,902 was exposed to custodial credit risk as they were collateralized with securities held by the pledging financial institution's agent but not in the City of Newport's name.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES (continued)**

**Capital Assets**

Governmental activities

Capital activity for the year ended June 30, 2015 was as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2015</u>
Capital Assets, not being depreciated				
Land	\$ 9,090,437	\$ 1,649,123	\$ -	\$ 10,739,560
Construction in progress	4,383,905	6,858,903	-	11,242,808
Total, not being depreciated	<u>13,474,342</u>	<u>8,508,026</u>	-	<u>21,982,368</u>
Building and structures	30,378,887	148,683		30,527,570
Equipment	3,884,118	119,009		4,003,127
Vehicles	4,594,642	588,258	-	5,182,900
Infrastructure	34,483,081	288,137		34,771,218
Total, being depreciated	<u>73,340,728</u>	<u>1,144,087</u>	-	<u>74,484,815</u>
Less accumulated depreciation				
Building and structures	(18,117,177)	(817,467)		(18,934,644)
Equipment	(3,520,094)	(48,808)		(3,568,902)
Vehicles	(3,274,741)	(260,384)	-	(3,535,125)
Infrastructure	(11,227,614)	(613,704)		(11,841,318)
	<u>(36,139,626)</u>	<u>(1,740,363)</u>	-	<u>(37,879,989)</u>
Total capital assets being depreciated, net	<u>37,201,102</u>	<u>(596,276)</u>	-	<u>36,604,826</u>
Governmental activities capital assets, net	<u>\$ 50,675,444</u>	<u>\$ 7,911,750</u>	<u>\$ -</u>	<u>\$ 58,587,194</u>

Depreciation expense was charged to the functions as follows:

Governmental activities:	
General government	\$ 713,062
Public safety	231,628
Highway and streets	481,620
Culture and recreation	314,053
Total depreciation expense, government activities	<u>\$ 1,740,363</u>



**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES (continued)**

**Capital Assets (continued)**

**Business-type activities**

Capital activity for the year ended June 30, 2015 was as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2015</u>
Capital Assets, not being depreciated				
Land	\$ 259,312	\$ -	\$ -	\$ 259,312
Construction in progress	1,486,881	2,857,167	-	4,344,048
Total, not being depreciated	<u>1,746,193</u>	<u>2,857,167</u>	<u>-</u>	<u>4,603,360</u>
Building and structures	28,274,615	247,924	-	28,522,539
Equipment	1,607,454	98,026	-	1,705,480
Vehicles	905,426	103,056	-	1,008,482
Infrastructure	52,677,728	884,244	-	53,561,972
Total, being depreciated	<u>83,465,223</u>	<u>1,333,250</u>	<u>-</u>	<u>84,798,473</u>
Less accumulated depreciation				
Building and structures	(10,392,254)	(848,137)	-	(11,240,391)
Equipment	(1,160,215)	(178,895)	-	(1,339,110)
Vehicles	(572,285)	(131,381)	-	(703,667)
Infrastructure	(15,110,657)	(1,335,986)	-	(16,446,643)
Total accumulated depreciation	<u>(27,235,411)</u>	<u>(2,494,399)</u>	<u>-</u>	<u>(29,729,811)</u>
Total capital assets being depreciated, net	<u>56,229,812</u>	<u>(1,161,149)</u>	<u>-</u>	<u>55,068,662</u>
Business-type activities capital assets, net	<u>\$ 57,976,005</u>	<u>\$ 1,696,018</u>	<u>\$ -</u>	<u>\$ 59,672,022</u>

Depreciation expense (not including the premium paid amortizations) was charged to the functions as follows:

Water	\$ 918,055
Sewer	<u>1,576,344</u>
Total depreciation expense, business-type activities	<u>\$ 2,494,399</u>

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES, continued**

**Assessment Liens Receivable**

Assessment liens receivable represent the uncollected amounts levied against property for the cost of local improvements. Total delinquent assessments receivable at June 30, 2015, amounted to \$51,999. Since assessments are liens against the benefited properties, an allowance for uncollectible accounts is not deemed necessary. Assessments are payable for a period of five to ten years and bear an interest rate of 6.467% to 10.1%.

**Interfund Transfers**

Transfer between funds to provide financial resources were as follows:

<u>Transfers out</u>	<u>Transfers In</u>					<u>Total</u>
	<u>General</u>	<u>Parks and Recreation</u>	<u>Capital Projects</u>	<u>Nonmajor Govern-mental</u>	<u>Proprietary Funds</u>	
Governmental funds						
General	\$ -	\$ 648,481	\$ 45,000	\$ 719,301	\$ 96,621	\$ 1,509,403
Capital projects - General	-	-	-	18,067	44,016	62,083
Nonmajor governmental funds	182,687	180,500	3,458,106	167,862	137,325	4,126,480
Total governmental funds	182,687	828,981	3,503,106	905,230	277,962	5,697,966
Proprietary funds						
Water	-	-	-	39,553	323,513	363,066
Sewer	-	-	-	66,337	1,024,299	1,090,636
Debt Service - Water	-	-	-	-	109,189	109,189
Total proprietary funds	-	-	-	105,890	1,457,001	1,562,891
Total transfers	\$ 182,687	\$ 828,981	\$ 3,503,106	\$ 1,011,120	\$ 1,734,963	\$ 7,260,857

Non-cash transfers occur when funds acquire capital assets which will be used in the operation of another fund, when debt issuance is received by a fund and another fund reports the long-term obligation, or when a fund pays principal on long-term obligations that are reported in another fund as follows:

<u>Transfers out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Capital Projects Proprietary</u>	
Water	\$ -	\$ -	\$ 6,073,487	\$ 6,073,487
Debt Service - Water	660,208	-	-	660,208
Debt Service - Sewer	-	1,200,000	-	1,200,000
Capital Projects - Proprietary	2,153,321	1,734,492	-	3,887,813
Total non-cash transfers	\$ 2,813,529	\$ 2,934,492	\$ 6,073,487	\$ 11,821,508

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES (continued)**

**Unavailable Revenues**

Governmental funds report unavailable revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

Delinquent property taxes receivable		
General	\$	485,049
Parks and Recreation		84,608
Airport		14,944
General Bond Debt		17,429
Urban Renewal Debt		159,957
Assessments receivable		
SDC's		51,999
Total unavailable revenue	\$	813,986

**Construction Commitments**

The City has active construction projects as of June 30, 2015. The major projects include Agate Beach Lower Storage Tank, Bay Moore Storm Sewer, Big Creek Lift Station, Aquatic Pool Project, SW Abalone-Brant Street and SE Ferry Slip Road Improvement Projects. The various construction projects are as follows:

<u>Capital Projects</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
South Beach Tsunami Evacuation Route Enhancement	\$ 121,632	\$ 492,294
Agate Beach Lower Storage Tank	1,058,552	2,037,139
Big Creek Dam Improvements	668,784	451,300
Bay Moore Storm Sewer Improvements	317,078	2,949,100
WW - Big Creek Lift Station Replace - 12025	2,137,912	2,346,128
Fixed Base Metering System	330,049	1,150,000
Airport Runway 16-34 Rehabilitation	1,258,816	1,988,189
Wastewater System Master Plan	56,956	111,561
Sanitary Sewer Televising Program	128,024	132,044
Aquatic Center Project	496,640	7,940,000
Sam Moore Creek Water Quality Improvement	51,829	129,550
SW Abalone-Brant Street Improvement Project	436,830	2,174,000
SE Ferry Slip Road Street Improvement Project	84,542	1,438,000
Aquatic Center Parking Improvements	52,129	285,884
	\$ 7,199,773	\$ 23,625,189

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES, continued**

**Capital Leases**

The City has entered into lease agreements as lessee for financing the acquisition of capital equipment for the Information Technology related to the City's information highway. The agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of their future lease payment as of the inception date.

The assets acquired by a capital lease are as follows:

	Governmental Activities
Machinery and equipment	<u>\$ 57,778</u>

The future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

	Governmental Activities
Years ending June 30,	
2013	\$ 165,032
2014	68,610
2015	8,785
Total minimum lease payments	242,427
Less: amount representing interest	(23,149)
Present value of minimum lease payments	<u>\$ 219,278</u>

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES (continued)**

**Long Term Obligations**

Information is presented separately for governmental and business-type activities. The table below presents current year changes and the current portions due for each issue.

	Beginning Balance (as Corrected) July 1, 2014	Increase	Decrease	Ending Balance June 30, 2015	Due in 2015/2016
<b>Governmental Activities</b>					
General obligation bonds, Series 2013, Swimming Pool*	\$ 7,900,000	\$ -	\$ 50,000	\$ 7,850,000	\$ 195,000
Other Loans/Bonds					
League of Oregon Cities Cooperative Asset Financing Program, Series 2007B	200,000	-	15,000	185,000	15,000
League of Oregon Cities Cooperative Asset Financing Program, Series 2009B	1,340,000	-	255,000	1,085,000	260,000
2013 North Side Fire Hall	239,756	-	12,980	226,776	13,644
Urban Renewal Bonds					
Full Faith & Credit Refunding Obligation Series 2010B	5,840,000	-	570,000	5,270,000	595,000
2007 Urban Renewal Bond, Tax-exempt	321,000	-	102,000	219,000	107,000
2008 Urban Renewal Bond, Tax-exempt	1,145,000	-	270,000	875,000	280,000
2015A&B URA funding	-	5,456,000	-	5,456,000	117,000
Subtotal	16,985,756	5,456,000	1,274,980	21,166,776	1,582,644
Other postemployment benefits *	162,251	75,376	-	237,627	-
Unamortized premium	573,326	-	38,736	534,590	38,736
Compensated absences	338,821	63,521	-	402,342	402,342
Capital leases *	48,248	46,131	36,601	57,778	33,084
Total governmental activities	18,108,402	5,641,028	1,350,317	22,399,113	2,056,806
<b>Business-type Activities</b>					
General obligation bonds, Series 2009A, Water	4,855,000	-	640,000	4,215,000	725,000
General obligation bonds, Series 2009B, Water	9,630,541	-	-	9,630,541	-
General obligation refunding bonds, Series 2008, Wastewater	4,240,000	-	785,000	3,455,000	815,000
Long Term Bonds					
Full Faith & Credit Refunding Obligation Series 2010A	3,975,000	-	415,000	3,560,000	425,000
DEQ Note (Deferred) *	339,500	1,518,687	-	1,858,187	-
Loans payable					
2007 Seal Rock Water District	846,913	-	52,408	794,505	26,617
2015 Water Borrowing	-	4,554,800	-	4,554,800	131,174
Subtotal	23,886,954	6,073,487	1,892,408	28,068,033	2,122,791
Other postemployment benefits *	27,931	13,565	-	41,496	-
Unamortized premium	365,962	-	33,325	332,637	33,325
Compensated absences	66,057	-	4,238	61,819	61,819
Total business-type activities	24,346,904	6,087,052	1,929,971	28,503,985	2,217,935
Totals	\$ 42,455,306	\$ 11,728,080	\$ 3,280,288	\$ 50,903,098	\$ 4,274,741

\* See Prior Period Note Below

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES (continued)**

**Long Term Obligations (continued)**

**Governmental Activities**

**General Obligation Bonds**

General obligation bonds are debt approved by the City's taxpayers which they pay through an increase in property taxes. The City issues general obligations bonds to provide funds for the construction of major capital facilities.

The City issued \$7,900,000 in general obligation bonds in December 2013, to finance the costs of a new indoor municipal swimming pool and related systems, facilities and improvements. Interest rates ranges from 2.00 to 4.00 percent. Final maturity is June 1, 2033. The balance outstanding at June 30, 2015 is \$7,850,000. Annual debt service requirement to maturity for general obligation bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 195,000	\$ 293,419	\$ 488,419
2017	215,000	289,519	504,519
2018	240,000	283,069	523,069
2019	270,000	275,869	545,869
2020	295,000	265,069	560,069
2021	320,000	253,269	573,269
2022-2026	2,025,000	1,056,694	3,081,694
2027-2031	2,855,000	641,488	3,496,488
2032-2033	1,435,000	87,000	1,522,000
Totals	\$ 7,850,000	\$ 3,445,394	\$ 11,295,394

**Other Loans/Bonds**

Other loans/bonds are Certificate of Participations from the League of Oregon Cities, Cooperative Asset Financing Program. These loans are issued to provide funds for various City purchases of vehicles, equipment, capital projects and pay off debt. Also, the City entered into a Real Estate loan agreement in order to Finance the new North Side Fire Station.

In October 2007, the City issued \$1,015,000 debt from the League of Oregon Cities, Cooperative Assets Finance Program. This loan was issued to provide funds for various City purchases of vehicles, equipment and pay off the Municipal Airport Debt. Interest rate ranges from 3.90 percent to 5.00 percent. Final maturity is July 1, 2024. As of June 30, 2015, the balance outstanding is \$185,000.

Year Ending June 30	Principal	Interest	Total
2016	\$ 15,000	\$ 8,875	\$ 23,875
2017	15,000	8,125	23,125
2018	20,000	7,250	27,250
2019	20,000	6,250	26,250
2020	20,000	5,250	25,250
2021-2025	95,000	9,875	104,875
Totals	\$ 185,000	\$ 45,625	\$ 230,625

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES (continued)**

**Long Term Obligations (continued)**

**Governmental Activities (continued)**

In September 2009, the City issued \$ 2,580,000 debt from the League of Oregon Cities, Cooperative Assets Finance Program. This loan was issued to provide funds for the Bay Boulevard project and large equipment for Fire, Water and Wastewater. Interest rate ranges from 1.00 percent to 3.50 percent. Final maturity is January 1, 2019. As of June 30, 2015, the balance outstanding is \$1,085,000.

Year Ending June 30	Principal	Interest	Total
2016	\$ 260,000	\$ 30,015	\$ 290,015
2017	265,000	22,465	287,465
2018	275,000	14,090	289,090
2019	285,000	4,845	289,845
Totals	\$ 1,085,000	\$ 71,415	\$ 1,156,415

In October 2012, the City entered into a loan agreement to finance the new North Side Fire Station. Interest rate is 5.00 percent and final maturity is October 2017. As of June 30, 2015, the balance outstanding is \$226,776.

Year Ending June 30	Principal	Interest	Total
2016	\$ 13,644	\$ 11,029	\$ 24,673
2017	14,342	10,331	24,673
2018	198,791	3,282	202,074
Totals	\$ 226,776	\$ 24,642	\$ 251,419

**Urban Renewal Bonds**

The South Beach Urban Renewal District financed Bonds in both 2007 and 2008 for financing authorized projects in the urban renewal area. In 2010, the SB URD issued bonds to refinance loans for the Wastewater Treatment Plant, along with additional funds for an infrastructure project.

In May 2007, the South Beach Urban Renewal District issued bonds totaling \$900,000 to finance the 4B storm drain project in the South Beach urban growth area. The interest rate is 5.25 percent. Final maturity is June 15, 2017. As of June 30, 2015, the outstanding balance is \$219,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 107,000	\$ 11,498	\$ 118,498
2017	112,000	5,880	117,880
Totals	\$ 219,000	\$ 17,378	\$ 236,378

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES (continued)**

**Long Term Obligations (continued)**

In May 2008, the South Beach Urban Renewal District issued bonds totaling \$2,530,000 to finance infrastructure projects in the South Beach urban growth area. The interest rate is 4.25 percent. Final maturity is June 15, 2018. As of June 30, 2015, the outstanding balance is \$875,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending				
June 30	Principal	Interest	Total	
2016	\$ 280,000	\$ 37,188	\$ 317,188	
2017	290,000	25,288	315,288	
2018	305,000	12,963	317,963	
Totals	\$ 875,000	\$ 75,438	\$ 950,438	

In July 2010, Full Faith & Credit Refunding Obligations, Series 2010B was issued 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 sewer treatment plant. An additional \$2,000,000 was borrowed as part of the refunding to help finance transportation infrastructure improvements, which has enhanced access to the Pacific Marine Operation Center. . The DEQ loan was considered a current refunding and was called July 14, 2010. The OBDD loans 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 cost totaling \$129,484. Interest range from 2.0 percent to 4.5 percent, with a final maturity of June 15, 2023. As of June 30, 2015, the outstanding balance is \$5,270,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending				
June 30	Principal	Interest	Total	
2016	\$ 595,000	\$ 190,463	\$ 785,463	
2017	660,000	177,075	837,075	
2018	775,000	150,675	925,675	
2019	975,000	122,800	1,097,800	
2020	670,000	93,550	763,550	
2021-2023	1,595,000	129,000	1,724,000	
Totals	\$ 5,270,000	\$ 863,563	\$ 6,133,563	



**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES (continued)**

**Long Term Obligations (continued)**

In March 2015, the South Beach Urban Renewal District completed a bank borrowing, Series 2015A & 2015B, totaling \$5,456,000 to finance property acquisitions, infrastructure projects, and a trail project in the South Beach urban growth area. The interest rate ranges from 2.45 percent to 3.45 percent. Final maturity is June 1, 2025. As of June 30, 2015, the outstanding balance is \$5,456,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 117,000	\$ 179,011	\$ 296,011
2017	100,000	146,807	246,807
2018	130,000	143,309	273,309
2019	280,000	138,762	418,762
2020	624,000	129,321	753,321
2021	865,000	107,140	972,140
2022-2026	3,340,000	222,949	3,562,949
<b>Totals</b>	<b>\$ 5,456,000</b>	<b>\$ 1,067,299</b>	<b>\$ 6,523,299</b>

**Business-type Activities**

**General Obligation Bonds**

The City issued \$6,265,000 (Series 2009A) and \$9,630,541 (Series 2009B) in general obligation bonds in March 2009, to finance the costs of capital construction and capital improvement for the City's water system. Series 2009A interest rates ranges from 3.5 percent to 5.0 percent and Series 2009B interest rate is 5.0 percent, with a final maturity of June 30, 2029. As of June 30, 2015 the outstanding balance is \$4,215,000 (Series 2009A) and \$9,630,541 (Series 2009B). Annual debt service requirements to maturity for this bond are as follows:

General Obligation Bonds, Series 2009A - Water

Year Ending June 30	Principal	Interest	Total
2016	\$ 725,000	\$ 179,825	\$ 904,825
2017	810,000	154,450	964,450
2018	900,000	122,050	1,022,050
2019	1,010,000	78,900	1,088,900
2020	770,000	38,500	808,500
<b>Totals</b>	<b>\$ 4,215,000</b>	<b>\$ 573,725</b>	<b>\$ 4,788,725</b>

General Obligation Bonds, Series 2009B - Water

Year Ending June 30	Principal	Interest	Total
2020	\$ 706,407	\$ 498,593	\$ 1,205,000
2021	1,137,806	937,195	2,075,000
2022	1,100,080	1,034,920	2,135,000
2023	1,070,476	1,129,524	2,200,000
2024	1,033,610	1,231,390	2,265,000
2025-2029	4,582,162	7,807,838	12,390,000
<b>Totals</b>	<b>\$ 9,630,541</b>	<b>\$ 12,639,459</b>	<b>\$ 22,270,000</b>

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES (continued)**

**Long-Term Obligations (continued)**

**Business-type Activities (continued)**

The City issued \$7,470,000 in general obligation refunding bonds in April 2008, to refinance a portion of the City's outstanding General Obligation Bonds, Series 1999 that financed improvements to the City's sewer system. Interest rates is 3.5 percent. The bonds final maturity is February 1, 2019. As of June 30, 2015 the outstanding balance is \$3,455,000. Annual debt service requirement to maturity as the following:

Year Ending June 30	Principal	Interest	Total
2016	815,000	120,925	935,925
2017	845,000	92,400	937,400
2018	880,000	62,825	942,825
2019	915,000	32,025	947,025
Totals	\$ 3,455,000	\$ 308,175	\$ 3,763,175

**Full Faith & Credit Bonds and Loans Payable**

In July 2010, Full Faith & Credit Refunding Obligations, Series 2010A was issued 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 sewer treatment plant. Interest range from 2.0 percent to 4.5 percent, with a final maturity of June 15, 2023. As of June 30, 2015, the outstanding balance is \$3,455,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 425,000	\$ 143,438	\$ 568,438
2017	\$ 440,000	\$ 128,563	\$ 568,563
2018	\$ 455,000	\$ 110,963	\$ 565,963
2019	\$ 470,000	\$ 92,763	\$ 562,763
2020	\$ 485,000	\$ 73,963	\$ 558,963
2021-2023	1,285,000	97,338	1,382,338
Totals	\$ 3,560,000	\$ 647,025	\$ 4,207,025

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES (continued)**

**Long-Term Obligations (continued)**

**Business-type Activities (continued)**

**Loans Payable**

The City entered into an agreement with Seal Rock Water District to assume responsibility to provided water services for an area of property. In return the City agreed to pay the District \$958,502 at the rate of interest of 4.75 percent. The outstanding balance as of June 30, 2015 is \$794,505. Annual debt service requirements to maturity for this loan is as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 26,617	\$ 42,736	\$ 69,353
2017	27,947	41,590	69,537
2018	29,152	40,360	69,512
2019	30,411	39,073	69,484
2020	31,826	37,650	69,476
2021-2025	182,917	164,634	347,551
2026-2030	216,419	119,260	335,679
2031-2035	238,113	63,466	301,579
2036-2040	7,637	1,528	9,165
2041-2042	3,466	198	3,664
Totals	\$ 794,505	\$ 550,495	\$ 1,345,000

In December 2014, the City entered into a 2014 Loan Agreement, in the amount of \$4,554,800 to finance the cost of City's water infrastructure. Interest for the loan is 3.95 percent, with a final maturity of June 15, 2034. As of June 30, 2015, the outstanding balance is \$4,554,800. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 131,174	\$ 199,813	\$ 330,987
2017	159,402	171,585	330,987
2018	165,825	165,162	330,987
2019	172,507	158,480	330,987
2020	179,459	151,528	330,987
2021-2025	1,011,772	643,163	1,654,935
2026-2030	1,232,726	422,209	1,654,935
2031-2035	1,501,935	153,000	1,654,935
Totals	\$ 4,554,800	\$ 2,064,940	\$ 6,619,740

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES (continued)**

**Prior period adjustments**

The 2014-15 financial statements include six prior period adjustments for the following reasons.

1. The OPEB Allocation (GASB 45) was stated incorrectly in the 2013-14 financials.
2. A DEQ Loan was inadvertently entered into the governmental activities when it was for the Water fund, part of the business-type activities.
3. The capital leases for our information technology division were actual capital leases not operating so they have been reinstated.
4. The City has recorded the City retirement liabilities in order to comply with GASB 68.
5. The Water Fund has added an inventory.
6. 2013-14 accounts receivable were overstated.

	Governmental Activities	Business-type Activities
June 30, 2014 net position - beginning	<u>\$ 52,039,649</u>	<u>\$ 37,962,147</u>
Adjustments:		
1. GASB 45 restatement	27,931	-
2. DEQ Loan reallocation - Water	339,500	(339,500)
3. Capital lease adjustment	(48,248)	-
4. GASB 68 adjustment	(1,781,670)	(266,289)
5. Water inventory	-	328,181
6. General fund accounts receivable	(40,186)	-
Total adjustments	<u>(1,502,673)</u>	<u>(277,608)</u>
June 30, 2014 net position - restated	<u><u>\$ 50,536,976</u></u>	<u><u>\$ 37,684,539</u></u>

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**3. DETAILED NOTES, continued**

**Governmental Fund Balances**

The fund balance amounts for governmental funds have been reported in the categories listed below with each specific purpose, balances as of June 30, 2015:

Fund Balances	General	Parks and Recreation	Agate Beach Closure	Debt Service NURA	Capital Projects	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>							
Prepaid	\$ 111	\$ 3,036	\$ -	\$ -	\$ -	\$ 62,864	\$ 66,011
	111	3,036	-	-	-	62,864	66,011
<b>Restricted for:</b>							
Capital Projects General and Airport	-	-	-	-	4,291,042	-	4,291,042
Capital Projects Swim Pool	-	-	-	-	7,653,750	-	7,653,750
Agate Beach Closure	-	-	1,397,838	-	-	-	1,397,838
Reserves	-	-	-	-	-	502,138	502,138
SDC - Streets	-	-	-	-	-	459,706	459,706
SDC - Water	-	-	-	-	-	162,947	162,947
SDC - Wastewater	-	-	-	-	-	198,889	198,889
SDC - Parks SDC	-	-	-	-	-	147,837	147,837
SDC - Storm Drain	-	-	-	-	-	105,483	105,483
SDC - Administration	-	-	-	-	-	77,074	77,074
Debt Service - General	-	-	-	-	-	53,838	53,838
Newport URA Debt Service	-	-	-	2,577,495	-	-	2,577,495
Newport URA Consturction	-	-	-	-	-	739,805	739,805
	-	-	1,397,838	2,577,495	11,944,792	2,447,717	18,367,842
<b>Committed for:</b>							
General Government	176,067	-	-	-	-	-	176,067
Parks and Recreation	-	413,968	-	-	-	-	413,968
Public Parking	-	-	-	-	-	318,536	318,536
Housing	-	-	-	-	-	156,334	156,334
Airport	-	-	-	-	-	301,972	301,972
Room Tax	-	-	-	-	-	797,862	797,862
Building Inspection	-	-	-	-	-	475,505	475,505
Streets	-	-	-	-	-	670,591	670,591
Line Undergrounding	-	-	-	-	-	758,129	758,129
Public Works	-	-	-	-	-	183,477	183,477
	176,067	413,968	-	-	-	3,662,406	4,252,441
<b>Unassigned:</b>							
General	2,818,985	-	-	-	-	-	2,818,985
	2,818,985	-	-	-	-	-	2,818,985
<b>Total Fund Balances</b>	<b>\$ 2,995,163</b>	<b>\$ 417,004</b>	<b>\$ 1,397,838</b>	<b>\$ 2,577,495</b>	<b>\$ 11,944,792</b>	<b>\$ 6,172,987</b>	<b>\$ 25,505,279</b>

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION**

**Pension Plan**

The City provides employees' retirement benefits under the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple employer defined benefit plan and a cost-sharing multiple employer defined contribution plan, for fire and police employees. All other employees are provided retirement benefits under a single-employer defined benefit plan and a single-employer defined contribution plan, below are details related to each plan.

**Oregon Public Employees Retirement System (PERS)**

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

**Defined Benefit Pension Plan**

**Plan description**

Police and Fire employees of the City of Newport are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A.

The OPERS consists of a single cost-sharing multiple employer defined benefit pension plan.

OPERS produces an independently audited Comprehensive Annual Financial Report which can be found at: [www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Oregon Public Employees Retirement System (PERS) (continued)**

**Description of benefit terms**

**Plan Benefits**

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

**A. Tier One/Tier Two Retirement Benefit (Chapter 238).** Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

**Pension Benefits**

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General Service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60.

**Death Benefits**

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

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

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Oregon Public Employees Retirement System (PERS) (continued)**

**Disability Benefits**

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

**Benefit Changes after Retirement**

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**B. Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP DB)**

**Pension Benefits.**

The OPSRP pension program provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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



**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Oregon Public Employees Retirement System (PERS) (continued)**

**B. Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP DB) (continued)**

**Death Benefits**

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

**Disability Benefits**

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

**Benefit Changes after Retirement**

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**C. Contributions**

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013.

Tier 1/tier 2 employer contribution rates are 14.57 percent and the OPSRP employer contribution rates are 9.10 percent for public safety employees. The City has NO General Service employees. Employer contributions for the year ended June 30, 2015 were \$348,896, excluding amounts to fund employer specific liabilities.

**D. Pension Asset or Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the City of Newport reported an asset of \$566,824 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Newport's proportion of the net pension liability was based on a projection of the City of Newport's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Oregon Public Employees Retirement System (PERS) (continued)**

**D. Pension Asset or Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Employers' long-term contribution efforts are based on projected rates that have two major components:

1. Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier 1/Tier 2 payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

The employer's Normal Cost Rates for each payroll are combined with system-wide present value factors for each payroll to develop an estimated PVFNC. The present value factors are actuarially determined at a system level for simplicity and to allow for the PVFNC calculations to be audited in a timely, cost-effective manner.

2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is equal to the Unfunded Actuarial Liability (UAL). The UAL represents the portion of the projected long-term contribution effort related to past service.

The UAL has Tier 1/Tier 2 and OPSRP pieces. The Tier 1/Tier 2 piece is based on the employer's Tier 1/Tier 2 pooling arrangement. If an employer participates in one of the two large Tier 1/Tier 2 rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier 1/Tier 2 UAL is their pro-rata share of their pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier 1/Tier 2 pooling arrangement, who are referred to as "Independent Employers", have their Tier 1/Tier 2 UAL tracked separately in the actuarial valuation.

The projected long-term contribution effort is the sum of the PVFNC and the UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Oregon Public Employees Retirement System (PERS) (continued)**

**D. Pension Asset or Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

At June 30, 2014, the City of Newport's proportion was 2.5 percent, which was also 2.5 percent as of June 30, 2013.

For the year ended June 30, 2015, the City of Newport recognized pension expense of \$726,574. At June 30, 2015, the City of Newport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings		
On pension plan investments	\$	\$1,093,742
Changes in proportion and difference between		<u>17,121</u>
Total (prior to post-MD contributions)		<u>1,110,863</u>
City of Newport's contributions subsequent		
to the measurement date	<u>\$ 348,896</u>	

\$348,896 reported as deferred outflows of resources related to pensions resulting from City of Newport contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30, 2015	
2016	\$ 277,157
2017	277,157
2018	277,157
2019	277,157
2020	2,235
Thereafter	_____ -

**E. Actuarial Valuations**

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Oregon Public Employees Retirement System (PERS) (continued)**

**F. Actuarial Methods and Assumptions Used in Developing Total Pension Liability**

Valuation Date	December 31, 2012 rolled forward to June 30, 2014.
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment rate of return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Oregon Public Employees Retirement System (PERS) (continued)**

**F. Actuarial Methods and Assumptions Used in Developing Total Pension Liability (continued)**

**Discount Rate (continued)**

Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Depletion Date Projection**

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is OPERS independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Oregon Public Employees Retirement System (PERS) (continued)**

**F. Actuarial Methods and Assumptions Used in Developing Total Pension Liability (continued)**

**Assumed Asset Allocation:**

<u>Asset Class / Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Oregon Public Employees Retirement System (PERS) (continued)**

**F. Actuarial Methods and Assumptions Used in Developing Total Pension Liability (continued)**

**Long-Term Expected Rate of Return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the OPERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-term Bonds	8.00%	3.70%
Intermediate-term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Opportunity Funds / Absolute Return	5.00%	6.10%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	7.71%	6.07%
Assumed Inflation - Mean		2.75%

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Oregon Public Employees Retirement System (PERS) (continued)**

**G. Sensitivity of the City of Newport’s proportionate share of the net pension liability to changes in the discount rate.**

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

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
City of Newport’s proportionate share of net pension (asset) or liability	\$ 1,200,329	(\$566,284)	(\$2,061,422)

**H. Changes in Actuarial Methods and Assumptions**

The prior measurement date of June 30, 2013 was based on the December 31, 2011 valuation. Changes in the actuarial methods and assumptions since that valuation are as follows:

*Actuarial Cost Method* – Changed from the projected unit credit cost method to the entry age normal cost method.

*Tier 1/ Tier 2 UAL Amortization* – The balance will be amortized over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20-year period from the period in which they are first recognized.

*Contribution Rate Stabilization Method* – The “grade-in range” over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70% to 60% or increases from 130% to 140%. Previously the ranges had been 80% to 70% and 120% to 130%.

*Allocation of Liability for Service Segments* – For purposes of allocating a Tier 1/Tier 2 member’s actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by OPERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier 1/Tier 2 population. Previously the Money Match was weighted 40 percent for General Service members and 10 percent for Police & Fire members. For subsequent valuations, this weighting has been adjusted to 30 percent for General Service members and 5 percent for Police & Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

*Investment Return and Interest Crediting* - The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the assumed interest crediting to variable account balances was 8.25%.

*OPSRP Administrative Expenses* - Assumed administrative expenses for the OPSRP System were reduced from \$6.6 million per year to \$5.5 million per year.



**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Oregon Public Employees Retirement System (PERS) (continued)**

**H. Changes in Actuarial Methods and Assumptions (continued)**

*Healthcare Cost Inflation* - The healthcare cost inflation for the maximum Retirement Health Insurance Premium Account (RHIPA) subsidy was updated based on an analysis by actuaries that included the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act.

*Healthy Mortality* - The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

*Disabled Mortality* – The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. Gender-specific adjustments were applied to align the assumption with recently observed system experience.

*Disability, Retirement from Active Status, and Termination* - Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

*Merit Increases, Unused Sick Leave, and Vacation Pay* - Assumed merit increases were lowered for School District members. Unused Sick Leave and Vacation Pay rates were adjusted.

*Retiree Healthcare Participation* - The Retirement Health Insurance Account (RHIA) participation rate for healthy retirees was reduced from 48% to 45%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates.

**I. Changes in Plan Provisions Subsequent to Measurement Date**

On April 30, 2015 the Oregon Supreme Court ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the current measurement date of June 30, 2014, and is not reflected in the proportionate share of the net pension liability (asset).

It is estimated that this change will increase net pension liability by \$1,230,000.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**City of Newport Employee's Retirement Plans**

The City contributes to the City of Newport Employee's Retirement Plan (Plan), administered by the Retirement Board, for the purpose of providing all of its eligible regular employees 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.

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

**Plan description**

Before January 1, 1983, the Plan included benefits for police and fire employees of the City. Effective January 1, 1983 retirement benefits for such employees were provided through the Public Employee Retirement System of the State of Oregon (PERS) and a portion of the Plan's funding was transferred to PERS.

All employees of the City of Newport, other than police and fire personnel, are provided with pensions through the Plan. All the benefits of the Plan are established by the City Council of Newport.

The Plan consists of a single employer defined benefit pension plan.

The Plan contracts with AKT and The Standard, actuaries who both produce employee statements and funding requirement for the Plan. Detailed financial information on the Plan is found in the reports created by these entities and are available upon request to the City Finance department.

**Description of benefit terms**

**Plan Benefits**

All benefits of the Plan are established by the City Council pursuant to City of Newport Employees' Retirement Plan, 2009 Restatement. Details on the Plan are found within this document.

1. Employees hired before March 5, 2012 shall be entitled to benefits under this Plan. Effective March 5, 2012, all non-collectively bargained employees hired on or after March 5, 2012 shall not be entitled to benefits under the Plan.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**City of Newport Employee's Retirement Plans (continued)**

**Pension Benefits**

The basic benefit on normal retirement is a monthly pension for life equal to the sum of the following:

A defined benefit equal to Benefit Years (BY) times 1.2 percent of Average Monthly Earnings (AME) as follows:

$$\text{BY} \times 1.2\% \times \text{AME}$$

An annuity equal in value to the combined balances of the participant's employee and Employer Money Purchase contribution accounts.

An annuity equal in value to the balance of the participant's Mandatory contribution account, if not withdrawn.

An annuity equal in value to the balance of the participant's voluntary contribution account, if not withdrawn.

The defined benefit portion of a participant's normal retirement basic benefit shall not be less than either of the following:

The participant's accrued benefit as of September 30, 1993.

The greatest early retirement 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 as follows:

"Monthly Earnings" for a plan year means one-twelfth of the participant's Compensation for the plan year.

Compensation means taxable pay reportable on IRS Form W-2 under Internal Revenue Code section 401(a), disregarding limitations based on the nature or location of the employment, plus, for limitation years beginning after December 31, 1998.

Compensation shall be considered only during the last 10 plan years of employment by Employer.

Years separated by a period when the participant is not employed by Employer shall be treated as consecutive.

For a participant with fewer than three plan years of Compensation, all years shall be used.

During periods of reduced Compensation because of such causes as illness, disability, leave of absence or layoff, Compensation shall be figured at the last regular rate before the start of the period.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**City of Newport Employee's Retirement Plans (continued)**

**Pension Benefits (continued)**

Conversion to annuities under the Plan shall be based on actuarial equivalency.

Benefits shall start on the Benefit Starting Date after the retirement date and be paid as soon as practicable.

**Pre-retirement Death Benefits**

On death of a participant before starting retirement benefits, the participant's beneficiary shall receive in a lump sum the total of the following:

- The balance of the participant's Money Purchase contribution accounts.
- The balance of the participant's Mandatory contribution account.
- The balance of the participant's voluntary contribution account.
- An amount attributable to the participant's defined benefit as determined.

The amount attributable to the participant's defined benefit shall be the greatest of the following:

- 50 times the participant's projected monthly pension assuming continued full-time service to normal retirement date and no change in Average Monthly Earnings.
- The actuarial present value of the participant's accrued defined benefit on the date of death.
- The amount determined for the participant under as in effect on September 30, 1993.

**Death Benefits**

**The amount** of required minimum distributions during a Participant's lifetime will be determined as follows:

During the Participant's lifetime, the minimum amount that will be distributed each Distribution Calendar Year is the lesser of (A) the quotient obtained by dividing the Participant's Account Balance by the distribution period in the Uniform Lifetime Table set forth in Regulation §1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year; or (B) if the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's Spouse, then the quotient obtained by dividing the Participant's Account Balance by the number in the Joint and Last Survivor Table set forth in Regulation §1.401(a)(9)-9, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the Distribution Calendar Year.

Required minimum distributions will be determined under this paragraph beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.

Required minimum distributions will be made after a Participant's death in accordance with the following provisions:

If a Participant dies on or after the date distribution begins, then the amount of a required minimum distribution will be determined as follows:

If the Participant dies on or after the date distributions begin and there is a Designated Beneficiary, then the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the longer of the remaining Life Expectancy of the Participant or the remaining Life Expectancy of the Designated Beneficiary, determined in accordance with the following provisions:

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**City of Newport Employee's Retirement Plans (continued)**

**Pension Benefits (continued)**

The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary, then the remaining Life Expectancy of the surviving Spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that Distribution Calendar Year. For Distribution Calendar Years after the year of the surviving Spouse's death, the remaining Life Expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.

If the Participant's surviving Spouse is not the Participant's sole Designated Beneficiary, then the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent calendar year.

If the Participant dies on or after the date distributions begin and there is no Designated Beneficiary as of September 30 of the year after the year of the Participant's death, then the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the Participant's remaining Life Expectancy calculated using the age of the Participant in the year of death, reduced by one each subsequent year.

**Disability Benefits**

A participant whose employment terminates due to disability shall be paid in a lump sum the total of the following:

The balance of the participant's Money Purchase contribution accounts.

The balance of the participant's Mandatory contribution account.

The balance of the participant's voluntary contribution account.

An amount attributable to the participant's defined benefit as determined.

The amount attributable to the participant's defined benefit shall be the greatest of the following:

50 times the participant's projected monthly pension assuming continued full-time service to normal retirement date and no change in Average Monthly Earnings.

The actuarial present value of the participant's accrued benefit on the date disability arises.

The amount determined for the participant as in effect on September 30, 1993.

A disabled participant is one who as a result of illness or injury suffers from a condition of mind or body that permanently prevents full-time employment by Employer. The Administrator shall determine disability and may rely on advice from a medical examiner satisfactory to the Administrator.

If benefits after disability would be offset against any other disability benefit, the Retirement Administrator may defer the start of payments until age 65 and adjust the benefit actuarially for the later start unless the participant elects to waive disability and receive benefits.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**City of Newport Employee's Retirement Plans (continued)**

**Pension Benefits (continued)**

**Funding Policy**

The City shall establish the funding policy on the advice of the plan actuary and be responsible for management of the fund. The funding policy shall fix the minimum and maximum Employer contribution for each year.

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 dues. For the current fiscal year, \$358,599 was contributed to the plan. The plan's normal cost is \$203,316 with interest plus amortization (over 30 years) of the plans unfunded actuarial accrued liability with interest.

The annual required contribution of the defined benefit plan was computed as of an actuarial valuation performed as of July 1, 2015. 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 increase due to promotions and longevity.

**Contributions**

The City shall make contributions to fund the benefits for its eligible employees. The amount and time of payment shall be determined in conformance with the funding policy established by the Administrator and the rules of this Plan.

An Employer may suspend or reduce contributions in any year so long as the minimum requirements of the funding policy are satisfied.

**Pension Asset or Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the City of Newport reported a net pension liability of \$1,178,904 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Employers' long-term contribution efforts are based on a roll-forward technique utilizing calculations performed as of the start of the fiscal year.

For the year ended June 30, 2015, the City of Newport recognized pension expense of (\$81,912). At June 30, 2015, the City of Newport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**City of Newport Employee's Retirement Plans (continued)**

**Pension Benefits (continued)**

	Deferred Outflows of Resources
Net difference between projected and actual earnings	
On pension plan investments	\$ (52,663)
Changes in proportion and difference between	17,121
Total (prior to post-MD contributions)	64,612
City of Newport's contributions subsequent	
to the measurement date	33,832
	<b><u>\$ 98,444</u></b>

\$33,832 reported as deferred outflows of resources related to pensions resulting from City of Newport contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30, 2015

2016	\$ 22,588
2017	22,588
2018	22,588
2019	22,588
2020	(8,845)
Thereafter	(16,895)

**Actuarial Valuations**

The employer contributions were set using the entry age actuarial cost method. The method is used to attribute the actuarial present value of projected benefits payments of each plan member to periods in conformity with the following:

Attribution is made on an individual plan-member-by-plan-member basis.

Each plan member's service costs is level as a percentage of that member's projected pay.

The beginning of the attribution period is the first period in which the member's service accrues pensions under the benefit terms, notwithstanding vesting or similar terms.

Each plan member's service cost is determined based on the same benefit terms reflected in that member's actuarial present value of projected benefit payments.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**City of Newport Employee's Retirement Plans (continued)**

**Pension Benefits (continued)**

**Actuarial Methods and Assumptions Used in Developing Total Pension Liability**

Valuation Date	July 1, 2014 rolled forward to June 30, 2015.
Actuarial Cost Method	Entry Age Normal with normal cost as level percentage of salary
Amortization Method	Amortized as a level percentage of salary as layered amortization bases over a closed period
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Investment rate of return	6.75 percent
Projected Salary Increases	3.00 percent overall payroll growth
Mortality	RP-2000 Table, post-retirement only, without variation by subgroups

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Assumed Asset Allocation:**

<u>Asset Class / Strategy</u>	<u>Low</u> <u>Range</u>	<u>High</u> <u>Range</u>
Cash	0.0%	5.0%
Equity	60.0%	90.0%
Fixed Income	10.0%	40.0%



**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**City of Newport Employee's Retirement Plans (continued)**

**Pension Benefits (continued)**

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term rate of return by weighing the expected future real estates of return by the target asset allocation percentage and by adding expected inflation.

**Sensitivity of the City of Newport's proportionate share of the net pension liability to changes in the discount rate.**

The determination of pension liability at fiscal year-end is based on a roll-forward technique utilizing calculations performed as of the start of the year. Three separate calculations of pension liability are displayed, one using the stated discount rate together with calculations based on a 1% increase and 1% decrease in the rate. The additional calculations are required to illustrate the sensitivity of net pension liability to changes in the discount rate:

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
City of Newport's net pension (asset) or liability	\$ 1,919,306	\$1,178,904	\$544,561

**Changes in Actuarial Methods and Assumptions**

As this is the first year of the actuarial calculations there have been no changes in the actuarial methods and assumptions.

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

**Defined Contribution – PERS Individual Account Program (IAP)**

Participants in OPERS defined benefit pension plan also participate in the defined contribution plan.

**Pension Benefits**

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Defined Contribution – PERS Individual Account Program (IAP) (continued)**

Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

**Death Benefits**

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

**Contributions**

The City makes the employee contributions of 6 percent of covered payroll to the plan. IAP contributions for the year ended June 30, 2015 were \$125,464.

**Recordkeeping**

PERS contracts with VOYA Financial to maintain IAP participant records.

**Defined Contribution – City Money Purchase**

Participants in the City Plan defined benefit pension plan also participate in the defined contribution plan along with others added after March 5, 2012 and October 12, 2012.

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 participants employee and employer accounts. Conversion of accounts to annuities shall be based on actuarial equivalency. The employer's contributions met the required contribution for the current and prior years.

**Pension Benefits**

A Money Purchase member becomes vested based on years of service as follows:

Years of Service	Vested Percentage
Less than 3 years	0%
3	50%
4	62%
5	75%
6	87 1/2%
7 or more	100%

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Pension Plan (continued)**

**Defined Contribution – City Money Purchase (continued)**

Upon retirement, a member of the money purchase Plan may receive the amounts in his or her employee account as a lump-sum payment.

**Death Benefits**

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance.

**Contributions**

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2015 were \$209,980.

**Recordkeeping**

The City contracts with AKT to maintain the money purchase participant records.

**Other Post-Employment Benefits**

The City provides post-retirement health care benefits for retirees, with the cost of the premium 100% borne by the retiree.

**Plan Description and Benefits Provided**

The City provides other post-employment benefits (OPEB) for employees, retirees, spouses, and dependents through a single employer defined contribution plan in the form of group health insurance benefits. As required by ORS 243.303(2), retirees are allowed to continue, at the retiree's expense, coverage under the group health insurance plan of the City until age 65. The implicit employer subsidy is measured as the expected health care cost per retiree and dependent, less the gross premiums charged by the insurance carrier for the coverage. The subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare. The City does not pay for any retiree OPEB under GASB 45.

**Membership**

The City's membership in the plan at August 1, 2014 (the date of the last actuarial valuation), consisted of the following:

Active employees	93
Retirees, spouses, or dependents	7
<b>Total</b>	<b>100</b>

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION, continued**

**Other Post-Employment Benefits (continued)**

Funding Policy and Contributions

The City funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The City has not established an irrevocable trust to accumulate assets to fund the cost of the OPEB obligation that arises from the implicit subsidy.

Annual OPEB Cost and Net OPEB Obligation (NOPEBO)

The City had its first actuarial valuation performed as of August 1, 2012, to determine the *unfunded accrued actuarial liability* (UAAL), *annual required contribution* (ARC), and NOPEBO as of that date. The ARC is equal to the normal cost plus an amount to amortize the UAAL as a level percent of payroll over 10 years. The annual OPEB cost, as of June 30, 2015 is equal to the ARC as follows:

Normal Cost	\$ 59,888
Amortization of UAAL	72,220
Annual required contribution (ARC)	\$ 132,108

The net OPEB obligation as of June 30, 2014, was calculated as follows:

Annual required contribution	\$ 132,108
Implicit benefit payments	(26,955)
Interest on prior year Net OPEB Obligation	6,656
Adjustment to ARC	(22,868)
Increase in net OPEB obligation	\$ 88,941
Net OPEB at beginning of the year	190,182
Net OPEB at end of the year	\$ 279,123

The NOPEBO is allocated between the Government-Wide Activities and Business-Type activities in the following amounts, \$237,627 and \$41,496, respectively.

Annual OPEB Cost and Net OPEB Obligation, continued

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	N/A	N/A	\$ -
June 30, 2013	\$ 117,681	15.00%	\$ 86,133
June 30, 2014	\$ 113,293	20.00%	\$ 190,182
June 30, 2015	\$ 115,896	23.00%	\$ 279,123

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Other Post-Employment Benefits (continued)**

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents information about the actuarial value of plan assets and the unfunded actuarial liability.

As of August 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$533,747, and the actuarial value of assets was zero, resulting in an unfunded accrued liability of \$533,747.

Valuation Date	Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAL/ Payroll
August 1, 2010	\$N/A	\$N/A	\$N/A	N/A	N/A *	N/A *
August 1, 2012	\$ -	\$ 527,083	\$ 527,083	0.00%	\$ 1,951,020	27.02%
August 1, 2014	\$ -	\$ 533,747	\$ 533,747	0.00%	\$ 2,288,820	23.32%

Actuarial Methods and Assumptions

Actuarial valuations will be performed every two years for the City's plan. Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and plan members and include the types of benefits provided at the time of each valuation and historical patterns of sharing benefit costs between employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the August 1, 2014, actuarial valuation, the **Projected Unit Credit Cost Method** was used to determine contribution levels comprised of normal cost and amortized payments.

Actuarial Methods and Assumptions, continued

The **inflation rate** used for the 2010 valuation is an assumed rate of 2.75%.

The **discount rate** for unfunded liabilities is 3.5 percent, based on the expected long-term annual investment returns for Oregon's Local Government Investment Pool and comparable investment vehicles.

The **health cost trend** is 5.75 percent in the 2014 year and will vary from 5.00 percent to 6.75 depending on the timing of the excise tax scheduled to affect health care benefits beginning in the year 2018. Health cost trend affects both the projected health care costs and the projected health care premiums. Dental costs were segregated out and the projected increase will be 4.50 percent per year.

The **annual payroll increases** are 2.75 percent compounded annually for the purposes of amortizing the UAAL. These assumptions are based on the Oregon PERS valuation assumptions as of December 31, 2013.

**City of Newport, Oregon**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2015

**4. OTHER INFORMATION (continued)**

**Other Post-Employment Benefits (continued)**

It is assumed that 55 percent of active members will elect coverage upon retirement until age 65. Seventy percent of male members and 35.0 percent of female members who elect coverage upon retirement are also assumed to elect spouse coverage until the spouse reaches age 65.

The unfunded actuarial accrued liability is being **amortized** as a level percentage of payrolls over a period of 10 years. The amortization is "open" which means that on each valuation date, the amortization amount is recalculated assuming 10 year's worth of future payments.

**Risk Management**

In February 1996, GASB issued Statement No. 30 (GASB No. 30), *Risk Financing Omnibus*, which amends GASB Statement No. 10, to require inclusion of specific, incremental claim adjustment expenses and estimated recoveries in the determination of the liability of unpaid claims. GASB No. 30 also requires disclosure of whether other claim adjustment expenses are included in the liability for unpaid claims.

The City participates in self-insurance pools of City/County Insurance Services for general, auto, and workers' compensation liability with self-insurance retention limits per occurrence. The pool pays all claims up to \$5,000,000 and purchases insurance to cover any excess liability up to a limit selected by the participating entity. The deductibles for the coverages are as follows:

General Liability:	\$0.00
Auto Liability:	\$0.00
Auto Physical Comprehensive:	\$100
Auto Physical Collision:	\$500

The City is assessed an annual maximum premium for workers' compensation liability.

Settled claims have not exceeded the coverages listed above in the past five years.

**Commitments and Contingent Liabilities**

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operation. Claims are generally covered by insurance. In the opinion of City management, based on the advice of Counsel with respect to such litigation and claims, the ultimate disposition of these matters will not have a material adverse affect on the financial position, results of operations, or cash flows of the City's funds.

**Subsequent Events**

The City of Newport has adopted two new Urban Renewal areas on October 5<sup>th</sup>, 2015, ordinances 2083 and 2086. The areas are 1) the McLean Point Urban Renewal Plan (MPURA) and 2) the Northside Urban Renewal Plan (NURA). The MPURA is 73.44 acres in size which will provide up to \$2 million dollars in bonding and will generate a projected tax increment of \$3.2 million dollars over the duration of plan which is 20 years with plans to complete it in sixteen years. 2) The NURA is 545.9 acres in size and will allow for \$40 million dollars of bonded debt, and is projected to capture \$67 million dollars in tax increment financing over a 25-year period. These funds will be available for various improvements in each of the districts which will lead to an increase the long-term tax base for the city and other taxing entities.

The Fire Department Union has been without a contract since July 1, 2014 and went to mediation in October 2015 which lead to a settlement. As of November 30, 2015 the Union was in the process of approving the new contract and soon afterward the City Council will possibly approve the same.

For every minute you are angry you lose sixty seconds of happiness.

*Ralph Waldo Emerson*

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF NEWPORT, OREGON**  
**SCHEDULE OF THE PROPRORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Last Ten Fiscal Years \*\***

Year Ended June 30,	City's proportion of the net pension liability (asset)	City's proportion share of the net pension liability (asset)	City's Covered Payroll	City's proportion share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.02500643%	\$ (566,824)	\$ 2,193,182	-25.84%	103.60%

\*\* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CITY OF NEWPORT, OREGON  
SCHEDULE OF CONTRIBUTIONS  
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM  
Last Ten Fiscal Years \*\***

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the Statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percent of covered payroll
2015	\$ 344,174	\$ 348,895	\$ (4,721)	\$ 2,193,182	15.91%

\*\* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CITY OF NEWPORT, OREGON**  
**Schedule of Net Pension Liability and Changes in Net Pension Liability**  
**City of Newport Employees Retirement Plan**  
**Last 10 Plan Years \*\***

	June 30, 2015
Beginning of year	
Total pension liability	\$ 6,525,032
Fiduciary net position	<u>5,328,828</u>
Net pension liability	\$ 1,196,204
Changes in total pension liability	
Service cost	\$ 166,928
Interest on total pension liability	440,163
Difference between expected and actual experience	(69,963)
Benefit payments	<u>(202,148)</u>
Net change in total pension liability	\$ 334,980
Changes in fiduciary net position	
Employers contributions	\$ 372,150
Investment income, net of expenses	207,422
Benefit payments	(202,148)
Administrative expenses	<u>(25,145)</u>
Net change in fiduciary net position	\$ 352,279
End of year	
Total pension liability	\$ 6,860,012
Fiduciary net position	<u>5,681,107</u>
Net pension liability	\$ 1,178,905
Fiduciary net position as a percent of total pension liability	82.8%
Covered payroll	\$ 2,592,985
Net pension liability as a percent of covered payroll	45.5%

\*\* Information will be accumulated until 10 years are presented.

Our greatest glory is not in never falling, but in rising every time we fall.

*Confucius*

**CITY OF NEWPORT, OREGON**  
**Schedule of Employer Contributions**  
**City of Newport Employees Retirement Plan**  
**Last 10 Plan Years \*\***

	2015	2014	2013	2012
Actuarially determined contribution	\$ 358,599	\$ 405,982	\$ 384,050	\$ 390,397
Actual employer contribution	372,150	416,372	416,372	431,631
Contribution deficiency (excess)	(13,551)	(10,390)	(32,322)	(41,234)
Covered payroll	2,592,985	2,925,079	2,876,355	2,887,270
Contribution as a percent of covered payroll	14.35%	14.23%	14.48%	14.95%
Valuation date	7/1/2014	7/1/2013	7/1/2012	7/1/2011
Assumed investment rate of return	6.75%	6.75%	6.75%	6.75%

Notes to schedule:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal, level percentage of pay		
Amortization cost method	Closed 20-year amortization, level dollar		
Asset valuation method	Market value		
Retirement age	Age	Service	Rate
	55	30+years	50%
	60	25+ years	50%
	62	n/a	100%
Marriage	75% of both males and females, with males 3 years older than spouses		
Health mortality	Healthy combined RP-2000 mortality		
Cost of living increase	1.5 percent per year		
	3 percent per year		

\*\* Information will be accumulated until 10 years are presented.

	2011	2010	2009	2008	2007	
\$	431,651	\$ 399,465	\$ 371,735	\$ 335,938	\$ 337,031	Actuarially determined contribution
	399,465	368,346	369,735	401,266	318,796	Actual employer contribution
	32,186	31,119	2,000	(65,328)	18,235	Contribution deficiency (excess)
	2,932,240	2,647,845	2,557,688	2,297,192	2,232,515	Covered payroll
	13.62%	13.91%	14.46%	17.47%	14.28%	Contribution as a percent of covered payroll
	7/1/2010	7/1/2009	7/1/2008	7/1/2007	7/1/2006	Valuation date
	6.75%	6.75%	6.75%	6.75%	6.75%	Assumed investment rate of return

**CITY OF NEWPORT, OREGON**  
**Schedule of Investment Rate of Return**  
**City of Newport Employees Retirement Plan**  
**Last 10 Plan Years \*\***

<u>Year ended</u> <u>June 30,</u>	<u>Rate of</u> <u>Return</u>
2015	3.84%
2014	18.52
2013	10.73
2012	0.36
2011	16.92
2010	7.55
2009	-15.04
2008	0.28
2007	5.76

\*\* Information will be accumulated until 10 years are presented.

## **SUPPLEMENTARY DATA**

This section includes:

- Budget and Actual Schedule for the Major Debt Service Fund
- Budget and Actual Schedule for the Major Capital Projects Fund
- Combining statements for nonmajor governmental funds
- Budget and actual schedules for nonmajor governmental funds
- Budget and actual schedules for Major Proprietary Funds



**CITY OF NEWPORT, OREGON**  
**DEBT SERVICE NEWPORT URBAN RENEWAL AGENCY FUND ( A MAJOR FUND)**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under)
<b>Revenues</b>				
Current property taxes	\$ -	\$ -	\$ 1,808,498	\$ 1,808,498
Delinquent property taxes	-	-	82,423	82,423
Interest on investments	100	100	18,454	18,354
Total revenues	<u>100</u>	<u>100</u>	<u>1,909,375</u>	<u>1,909,275</u>
<b>Other financing sources</b>				
Transfer from Water Fund	662,160	662,160	-	(662,160)
Total other financing sources	<u>662,160</u>	<u>662,160</u>	<u>-</u>	<u>(662,160)</u>
<b>Fund balance, beginning</b>	-	-	1,883,198	1,883,198
Amount available for appropriation	<u>\$ 662,260</u>	<u>\$ 662,260</u>	<u>\$ 3,792,573</u>	<u>\$ 3,130,313</u>
<b>Expenditures</b>				
Urban renewal debt service	\$ -	\$ -	1,215,078	\$ (1,215,078)
2014 Water Revenue Bond	331,080	331,080	-	331,080
Total expenditures	<u>\$ 331,080</u>	<u>\$ 331,080</u>	<u>1,215,078</u>	<u>\$ (883,998)</u>
<b>Fund balance, ending</b>			<u>\$ 2,577,495</u>	

**CITY OF NEWPORT, OREGON**  
**CAPITAL PROJECTS FUND (A MAJOR FUND)**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
State Gas Tax Proration	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Newport Gas Tax Proration	180,000	180,000	140,202	(39,798)
Federal Scenic Byways Grant	-	557,696	-	(557,696)
Fema Grant	536,630	591,630	171,793	(419,837)
State Grants	122,500	122,500	57,496	(65,004)
State Is Tea Entitlement	108,245	108,245	-	(108,245)
Matching Funds	496,000	531,000	562,105	31,105
Capital Improvement Surcharge	476,334	543,370	558,797	15,427
Ksenyia Sidewalk Deposit	11,769	11,769	-	(11,769)
Easements	-	-	3,300	3,300
Aviation Grant	-	5,778,698	4,930,619	(848,079)
Connect Oregon Grant	-	286,877	(2,000)	(288,877)
Interest On Investments	16,000	16,000	48,528	32,528
Misc. Sales & Services	-	-	33,333	33,333
Total revenues	<u>1,962,478</u>	<u>8,742,785</u>	<u>6,504,173</u>	<u>(2,238,612)</u>
<b>Other financing sources</b>				
Bond and loan proceeds	2,559,359	2,559,359	-	(2,559,359)
Transfer From General Fund	15,000	45,000	45,000	-
Transfer From Airport Fund	-	265,000	265,000	-
Transfer From SDC Fund	180,000	180,000	-	(180,000)
Transfer From Urban Renewal Agency	3,193,106	3,193,106	3,193,106	-
Total other financing sources	<u>5,947,465</u>	<u>6,242,465</u>	<u>3,503,106</u>	<u>(2,739,359)</u>
<b>Fund balance, beginning</b>	<u>9,424,617</u>	<u>9,696,176</u>	<u>9,614,365</u>	<u>(81,811)</u>
Amount available for appropriation	<u>\$17,334,560</u>	<u>\$24,681,426</u>	<u>19,621,644</u>	<u>\$ (5,059,782)</u>
<b>Expenditures</b>				
Capital Projects - General	\$ 8,905,654	\$ 9,553,161	1,343,371	\$ 8,209,790
Capital Projects - Swimming Pool	7,802,612	7,802,612	548,598	7,254,014
Capital Projects - Airport AIP	-	6,863,838	5,722,800	1,141,038
Contingency	16,000	17,759	-	17,759
Total expenditures	<u>16,724,266</u>	<u>24,237,370</u>	<u>7,614,769</u>	<u>16,622,601</u>
<b>Other financing uses</b>				
Transfers to other funds	228,321	62,083	62,083	-
Total other financing uses	<u>228,321</u>	<u>62,083</u>	<u>62,083</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 16,952,587</u>	<u>\$ 24,299,453</u>	<u>7,676,852</u>	<u>\$ 16,622,601</u>
<b>Fund Balance - ending</b>			<u>\$11,944,792</u>	

**CITY OF NEWPORT, OREGON**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2015

	Special Revenue	Debt Service	Capital Projects	Totals
<b>ASSETS</b>				
Cash and investments	\$ 5,172,187	\$ -	\$ 502,138	\$ 5,674,325
Receivables:				
Property taxes	-	23,256	-	23,256
Accounts	583,826	-	-	583,826
Other	-	9,751	-	9,751
Prepaid items	62,864	-	-	62,864
Restricted cash and investments	-	38,260	-	38,260
Total assets	\$ 5,818,877	\$ 71,267	\$ 502,138	\$ 6,392,282
<b>LIABILITIES</b>				
Accounts payable	\$ 103,749	\$ -	\$ -	\$ 103,749
Withholding & taxes payable	29,534	-	-	29,534
Deposits	1,640	-	-	1,640
Total liabilities	134,923	-	-	134,923
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	66,943	17,429	-	84,372
<b>FUND BALANCES</b>				
Nonspendable	62,864	-	-	62,864
Restricted	1,891,741	53,838	502,138	2,447,717
Committed	3,662,406	-	-	3,662,406
Total fund balances	5,617,011	53,838	502,138	6,172,987
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,818,877	\$ 71,267	\$ 502,138	\$ 6,392,282

**CITY OF NEWPORT, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
for the year ended June 30, 2015

	Special Revenue	Debt Service	Capital Projects	Totals
<b>REVENUES</b>				
Property taxes	\$ -	\$ 517,702	\$ -	\$ 517,702
Transient room taxes	1,462,050	-	-	1,462,050
Franchise fees, privilege taxes, licenses, and permits	200,292	-	-	200,292
Intragovernmental	584,599	-	-	584,599
Charges for services	1,962,729	-	-	1,962,729
Interest on investments	18,616	403	1,625	20,644
Miscellaneous	92,391	-	-	92,391
Total revenues	<u>4,320,677</u>	<u>518,105</u>	<u>1,625</u>	<u>4,840,407</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,133,011	1,972	-	2,134,983
Highway and streets	1,396,889	-	-	1,396,889
Debt service:				
Principal	-	332,980	-	332,980
Interest	-	484,959	-	484,959
Capital outlay	1,857,645	-	-	1,857,645
Total expenditures	<u>5,387,545</u>	<u>819,911</u>	<u>-</u>	<u>6,207,456</u>
Excess(deficiency) of revenues over expenditures	<u>(1,066,868)</u>	<u>(301,806)</u>	<u>1,625</u>	<u>(1,367,049)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt issuance	5,456,000	-	-	5,456,000
Transfers in	484,926	346,194	180,000	1,011,120
Transfers out	(4,126,480)	-	-	(4,126,480)
Total other financing sources (uses)	<u>1,814,446</u>	<u>346,194</u>	<u>180,000</u>	<u>2,340,640</u>
Net change in fund balances	747,578	44,388	181,625	973,591
Fund balance - beginning	4,869,433	9,450	320,513	5,199,396
Fund balance - ending	<u>\$ 5,617,011</u>	<u>\$ 53,838</u>	<u>\$ 502,138</u>	<u>\$ 6,172,987</u>

Excellence is to do a common thing in an uncommon way. *Brooker T Washington*

# Combining Statements and Schedules of Revenues and Expenditures – Budget and Actuals

## Nonmajor Governmental Fund

### Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific.

- **Public Parking Fund** – receives proceeds from payment in lieu of parking fees paid in association with new development in the Bay Front, Nye Beach and City Center areas. This fund is to be used for parking and related improvements that benefit businesses in these areas.
- **Housing Fund** – operates to support the provision of housing affordable to Newport workers at all wage levels consistent with the goals and policies outline in the Newport Comprehensive Plan.
- **Airport Fund** – Operates and maintain the Newport Municipal Airport in accordance with Part 139 regulations and the Airport Certification Manual, which also includes operation of the Fixed Base Operations.
- **Room Tax** – received proceeds from the City’s hotel/motel tax to enhance the tourism and tourism facilities for the City of Newport. This fund also transfers funds to the Airport and Parks & Recreation Funds in help of their operations of their facilities.
- **Building Inspection Fund** – administer and develop the City’s building program, consisting of serving the public on building code questions, updating ordinances to comply with State and City building codes; collect and update system development charges and related building fees; review construction plans; and conduct inspections for construction projects.
- **Streets Fund** – receives proceeds from the State Gas Tax, Storm Drain fee, and Service provided for the Water and Wastewater Funds. The Fund is to be used for the maintenance, repair and operations of City streets, storm drain system, and sidewalks.
- **Line Undergrounding Fund** – receives proceeds from Central Lincoln PUD, 1.5% franchise fee. The Fund is to be used for projects in which utility lines are placed underground.
- **SDC (System Development Charges)** – receives SDC charges and citywide SDC programs are administered from this fund.
- **Newport Urban Renewal Agency** – implements projects identified in the South Beach Urban Renewal Plan. Project implementation is scheduled to run through 2020.
- **Public Works Fund** –provides engineering and administration for water, wastewater, streets and storm sewer improvements and operations. Proceeds are received in the form of Services provided for the Water, Wastewater and Street Funds.

**CITY OF NEWPORT, OREGON**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
June 30, 2015

	Public Parking	Housing	Airport	Room Tax	Building Inspection	Streets
<b>ASSETS</b>						
Cash and investments	\$ 317,158	\$ 156,334	\$ 316,831	\$ 432,146	\$ 500,269	\$ 576,027
Receivables:						
Accounts	1,378	-	12,280	387,943	4,133	114,923
Prepaid items	-	-	10,175	52,500	189	-
Total assets	<u>318,536</u>	<u>156,334</u>	<u>339,286</u>	<u>872,589</u>	<u>504,591</u>	<u>690,950</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 7,428	\$ 22,227	\$ 25,756	\$ 10,827
Withholding & taxes payable	-	-	3,127	-	3,141	9,532
Deposits	-	-	1,640	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>12,195</u>	<u>22,227</u>	<u>28,897</u>	<u>20,359</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	-	-	14,944	-	-	-
<b>FUND BALANCES</b>						
Nonspendable	-	-	10,175	52,500	189	-
Restricted	-	-	-	-	-	-
Committed	318,536	156,334	301,972	797,862	475,505	670,591
Total fund balances	<u>318,536</u>	<u>156,334</u>	<u>312,147</u>	<u>850,362</u>	<u>475,694</u>	<u>670,591</u>
Total liabilities and fund balances	<u>\$ 318,536</u>	<u>\$ 156,334</u>	<u>\$ 339,286</u>	<u>\$ 872,589</u>	<u>\$ 504,591</u>	<u>\$ 690,950</u>

Line Under-grounding	SDC	Urban Renewal Agency	Public Works	Totals
\$ 746,959	\$ 1,151,936	\$ 775,973	\$ 198,554	\$ 5,172,187
11,170	51,999	-	-	583,826
-	-	-	-	62,864
<u>758,129</u>	<u>1,203,935</u>	<u>775,973</u>	<u>198,554</u>	<u>\$ 5,818,877</u>
\$ -	\$ -	\$ 35,150	\$ 2,361	\$ 103,749
-	-	1,018	12,716	29,534
-	-	-	-	1,640
-	-	<u>36,168</u>	<u>15,077</u>	<u>134,923</u>
-	51,999	-	-	66,943
-	-	-	-	62,864
-	1,151,936	739,805	-	1,891,741
<u>758,129</u>	<u>-</u>	<u>-</u>	<u>183,477</u>	<u>3,662,406</u>
<u>758,129</u>	<u>1,151,936</u>	<u>739,805</u>	<u>183,477</u>	<u>5,617,011</u>
<u>\$ 758,129</u>	<u>\$ 1,203,935</u>	<u>\$ 775,973</u>	<u>\$ 198,554</u>	<u>\$ 5,818,877</u>

**ASSETS**

Cash and investments  
Receivables:  
    Accounts  
Prepaid items  
Total assets

**LIABILITIES**

Accounts payable  
Withholding & taxes payable  
Deposits  
Total liabilities

**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenue

**FUND BALANCES**

Nonspendable  
Restricted  
Committed  
Total fund balances  
Total liabilities and fund balances



**CITY OF NEWPORT, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
for the year ended June 30, 2015

	Public Parking	Housing	Airport	Room Tax	Building Inspection	Streets
<b>REVENUES</b>						
Transient room taxes	\$ -	\$ -	\$ -	\$ 1,462,050	\$ -	\$ -
Licenses and fees	24,732	-	-	-	-	-
Intragovernmental	-	-	-	-	-	584,599
Charges for services	-	-	421,079	-	170,525	412,103
Interest on investments	1,238	688	1,036	3,627	2,078	2,281
Miscellaneous	-	-	73,295	14,016	4,187	813
Total revenues	<u>25,970</u>	<u>688</u>	<u>495,410</u>	<u>1,479,693</u>	<u>176,790</u>	<u>999,796</u>
<b>EXPENDITURES</b>						
Current:						
General government	3,137	34,833	689,312	1,021,483	232,975	-
Highways and streets	-	-	-	-	-	764,352
Capital outlay	-	-	-	-	-	208,522
Total expenditures	<u>3,137</u>	<u>34,833</u>	<u>689,312</u>	<u>1,021,483</u>	<u>232,975</u>	<u>972,874</u>
Excess(deficiency) of revenues over expenditures	<u>22,833</u>	<u>(34,145)</u>	<u>(193,902)</u>	<u>458,210</u>	<u>(56,185)</u>	<u>26,922</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt issuance	-	-	-	-	-	-
Transfers in	-	13,000	380,814	-	3,045	70,000
Transfers out	-	-	(271,746)	(530,003)	-	(62,190)
Total other financing sources (uses)	<u>-</u>	<u>13,000</u>	<u>109,068</u>	<u>(530,003)</u>	<u>3,045</u>	<u>7,810</u>
Net change in fund balances	22,833	(21,145)	(84,834)	(71,793)	(53,140)	34,732
Fund balance - beginning	295,703	177,479	396,981	922,155	528,834	635,859
Fund balance - ending	<u>\$ 318,536</u>	<u>\$ 156,334</u>	<u>\$ 312,147</u>	<u>\$ 850,362</u>	<u>\$ 475,694</u>	<u>\$ 670,591</u>

Line Under-grounding	SDC	Urban Renewal Agency	Public Works	Totals	
					<b>REVENUES</b>
\$ -	\$ -	\$ -	\$ -	\$ 1,462,050	Transient room taxes
175,560	-	-	-	200,292	Licenses and fees
-	-	-	-	584,599	Intragovernmental
-	348,790	-	610,232	1,962,729	Charges for services
2,718	3,497	232	1,221	18,616	Interest on investments
-	-	-	80	92,391	Miscellaneous
<u>178,278</u>	<u>352,287</u>	<u>232</u>	<u>611,533</u>	<u>4,320,677</u>	Total revenues
					<b>EXPENDITURES</b>
					Current:
-	-	151,271	-	2,133,011	General government
-	-	-	632,537	1,396,889	Highways and streets
-	-	1,649,123	-	1,857,645	Capital outlay
-	-	1,800,394	632,537	5,387,545	Total expenditures
<u>178,278</u>	<u>352,287</u>	<u>(1,800,162)</u>	<u>(21,004)</u>	<u>(1,066,868)</u>	Excess(deficiency) of revenues over expenditures
					<b>OTHER FINANCING SOURCES (USES)</b>
-	-	5,456,000	-	5,456,000	Debt issuance
-	18,067	-	-	484,926	Transfers in
(59,435)	(10,000)	(3,193,106)	-	(4,126,480)	Transfers out
<u>(59,435)</u>	<u>8,067</u>	<u>2,262,894</u>	<u>-</u>	<u>1,814,446</u>	Total other financing sources (uses)
118,843	360,354	462,732	(21,004)	747,578	Net change in fund balances
639,286	791,582	277,073	204,481	4,869,433	Fund balance - beginning
<u>\$ 758,129</u>	<u>\$ 1,151,936</u>	<u>\$ 739,805</u>	<u>\$ 183,477</u>	<u>\$ 5,617,011</u>	Fund balance - ending

**CITY OF NEWPORT, OREGON**  
**PUBLIC PARKING FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
Interest On Investments	\$ 1,000	\$ 1,000	\$ 1,238	\$ 238
Fees In Lieu Of Parking	30,968	30,968	24,732	(6,236)
Total revenues	<u>31,968</u>	<u>31,968</u>	<u>25,970</u>	<u>(5,998)</u>
<b>Fund balance, beginning</b>	294,004	294,004	295,703	1,699
Amount available for appropriation	<u>\$ 325,972</u>	<u>\$ 325,972</u>	<u>321,673</u>	<u>\$ (4,299)</u>

<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
Nye Beach Parking District	\$ 2,543	\$ 2,543	980	\$ 1,563
City Center Parking District	1,827	1,827	327	1,500
Bay Front Parking District	6,830	6,830	1,830	5,000
Contingency	314,772	314,772	-	314,772
Total expenditures	<u>\$ 325,972</u>	<u>\$ 325,972</u>	<u>3,137</u>	<u>\$ 322,835</u>
<b>Budgetary Fund Balance</b>			<u>318,536</u>	
<b>Fund balance, ending</b>			<u>\$ 318,536</u>	

**CITY OF NEWPORT, OREGON**  
**HOUSING FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under)
<b>Revenues</b>				
Interest On Investments	\$ 690	\$ 690	\$ 688	\$ (2)
Total revenues	690	690	688	(2)
<b>Other financing sources</b>				
Transfer From General Fund	13,000	13,000	13,000	-
Total other financial sources	13,000	13,000	13,000	-
<b>Fund balance, beginning</b>	181,150	181,150	177,479	(3,671)
Amount available for appropriation	<u>\$ 194,840</u>	<u>\$ 194,840</u>	<u>191,167</u>	<u>\$ (3,673)</u>

	Original Budget	Final Budget	Actual	(Over) Under
<b>Expenditures</b>				
Materials and services	\$ 194,743	\$ 194,743	34,833	\$ 159,910
Contingency	97	97	-	97
Total expenditures	<u>\$ 194,840</u>	<u>\$ 194,840</u>	<u>34,833</u>	<u>\$ 160,007</u>
<b>Fund balance, ending</b>			<u>\$ 156,334</u>	

**CITY OF NEWPORT, OREGON**  
**AIRPORT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
Jet Fuel	\$ 115,000	\$ 215,000	\$ 339,782	\$ 124,782
Avgas	69,000	69,000	50,123	(18,877)
Oil	600	600	348	(252)
Pilot Supplies	1,000	1,000	10,609	9,609
Food Catering	1,500	1,500	544	(956)
Tie Down	150	150	122	(28)
Service Provided For Sewer Fund	30,704	30,704	30,704	-
Rents and Leases	52,500	52,500	57,943	5,443
Concessions	300	300	1,625	1,325
Interest On Investments	1,800	1,800	1,036	(764)
Misc. Sales and Services	1,500	1,500	2,574	1,074
Total revenues	<u>274,054</u>	<u>374,054</u>	<u>495,410</u>	<u>121,356</u>
<b>Other financing sources</b>				
Transfer From General Fund	355,814	355,814	355,814	-
Transfer From Room Tax Fund	25,000	25,000	25,000	-
Total other financing sources	<u>380,814</u>	<u>380,814</u>	<u>380,814</u>	<u>-</u>
<b>Fund balance, beginning</b>	309,151	389,151	396,981	7,830
Amount available for appropriation	<u>\$ 964,019</u>	<u>\$ 1,144,019</u>	<u>1,273,205</u>	<u>\$ 129,186</u>
<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
Personal services	\$ 206,690	\$ 206,690	137,739	\$ 68,951
Material and services	686,714	601,714	551,573	50,141
Capital outlay	10,000	10,000	-	10,000
Contingency	53,869	53,869	-	53,869
Total expenditures	<u>957,273</u>	<u>872,273</u>	<u>689,312</u>	<u>182,961</u>
<b>Other financing uses</b>				
Transfers out to other funds	6,746	271,746	271,746	-
Total expenditures and other financing uses	<u>\$ 964,019</u>	<u>\$ 1,144,019</u>	<u>961,058</u>	<u>\$ 182,961</u>
<b>Fund balance, ending</b>			<u>\$ 312,147</u>	

**CITY OF NEWPORT, OREGON**  
**ROOM TAX FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
Transient Room Tax	\$ 1,127,000	\$ 1,127,000	\$ 1,462,050	\$ 335,050
Visual Arts Center Revenue	10,000	10,000	14,016	4,016
Interest On Investments	2,000	2,000	3,627	1,627
Total revenues	<u>1,139,000</u>	<u>1,139,000</u>	<u>1,479,693</u>	<u>340,693</u>
<b>Fund balance, beginning</b>	480,674	922,155	922,155	-
Amount available for appropriation	<u>\$ 1,619,674</u>	<u>\$ 2,061,155</u>	<u>2,401,848</u>	<u>\$ 340,693</u>
<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
Materials and services	\$ 965,020	\$ 965,020	801,483	\$ 163,537
Capital outlay	200,000	329,873	220,000	109,873
Contingency	56,950	190,871	-	190,871
Total expenditures	<u>1,221,970</u>	<u>1,485,764</u>	<u>1,021,483</u>	<u>464,281</u>
<b>Other financing uses</b>				
Transfers out to other funds	352,316	530,003	530,003	-
Total expenditures and other financing uses	<u>\$ 1,574,286</u>	<u>\$ 2,015,767</u>	<u>1,551,486</u>	<u>\$ 464,281</u>
<b>Fund balance, ending</b>			<u>\$ 850,362</u>	

**CITY OF NEWPORT, OREGON**  
**BUILDING INSPECTION FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
State Permit Surcharges	\$ 12,000	\$ 12,000	\$ 12,953	\$ 953
Building Permits	100,000	100,000	108,085	8,085
Electrical Permits	30,000	30,000	34,836	4,836
Plumbing Permits	9,000	9,000	11,306	2,306
Sign Permits	6,000	6,000	3,345	(2,655)
Interest On Investments	2,500	2,500	2,078	(422)
Misc. Sales & Services	-	-	4,187	4,187
Total revenues	<u>159,500</u>	<u>159,500</u>	<u>176,790</u>	<u>17,290</u>
<b>Other financing sources</b>				
Transfer from General Fund	3,045	3,045	3,045	-
Total other financing sources	<u>3,045</u>	<u>3,045</u>	<u>3,045</u>	<u>-</u>
<b>Fund balance, beginning</b>	<u>505,817</u>	<u>505,817</u>	<u>528,834</u>	<u>23,017</u>
Amount available for appropriation	<u>\$ 668,362</u>	<u>\$ 668,362</u>	<u>708,669</u>	<u>\$ 40,307</u>

<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
Personal services	\$ 183,853	\$ 183,853	125,542	\$ 58,311
Material and services	107,436	107,436	107,433	3
Contingency	16,625	16,625	-	16,625
Total expenditures	<u>\$ 307,914</u>	<u>\$ 307,914</u>	<u>232,975</u>	<u>\$ 74,939</u>
<b>Fund balance, ending</b>			<u>\$ 475,694</u>	

**CITY OF NEWPORT, OREGON**  
**STREETS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under)
<b>Revenues</b>				
State Gas Tax Proration	\$ 566,487	\$ 566,487	\$ 584,599	\$ 18,112
Service Provided For Room Tax	5,000	5,000	5,000	-
Interest On Investments	-	-	2,281	2,281
Misc. Sales and Services	-	-	813	813
Storm Drain Utility Fees	404,300	404,300	407,103	2,803
	<u>975,787</u>	<u>975,787</u>	<u>999,796</u>	<u>24,009</u>
Transfer From Water Fund	141,587	141,587	35,000	(106,587)
Transfer From Wastewater	188,758	188,758	35,000	(153,758)
Total other financing sources	<u>330,345</u>	<u>330,345</u>	<u>70,000</u>	<u>(260,345)</u>
<b>Fund balance, beginning</b>	<u>393,871</u>	<u>393,871</u>	<u>635,859</u>	<u>241,988</u>
Amount available for appropriation	<u>\$ 1,700,003</u>	<u>\$ 1,700,003</u>	<u>1,705,655</u>	<u>\$ 5,652</u>
<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
Street Maintenance	\$ 677,452	\$ 704,452	458,204	\$ 246,248
Storm Drain Maintenance	665,321	665,321	514,670	150,651
Contingency	130,613	103,613	-	103,613
Total expenditures	<u>\$ 1,473,386</u>	<u>\$ 1,473,386</u>	<u>972,874</u>	<u>\$ 500,512</u>
<b>Other financing uses</b>				
Transfers out to other funds	62,190	62,190	62,190	-
Total other financing uses	<u>62,190</u>	<u>62,190</u>	<u>62,190</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 1,535,576</u>	<u>\$ 1,535,576</u>	<u>1,035,064</u>	<u>\$ 500,512</u>
<b>Fund balance, ending</b>			<u>\$ 670,591</u>	



**CITY OF NEWPORT, OREGON**  
**LINE UNDERGROUNDING FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
Franchise Tax - Central Lincoln	\$ -	\$ -	\$ 11,170	\$ 11,170
Franchise Taxes	170,000	170,000	164,390	(5,610)
Interest On Investments	3,200	3,200	2,718	(482)
Total revenues	<u>173,200</u>	<u>173,200</u>	<u>178,278</u>	<u>5,078</u>
<b>Fund balance, beginning</b>	670,230	670,230	639,286	(30,944)
Amount available for appropriation	<u>\$ 843,430</u>	<u>\$ 843,430</u>	<u>817,564</u>	<u>\$ (25,866)</u>

<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
Contingency	\$ 783,995	\$ 783,995	-	\$ 783,995
<b>Other financing uses</b>				
Transfers out	59,435	59,435	59,435	-
Total expenditures and other financing uses	<u>\$ 843,430</u>	<u>\$ 843,430</u>	<u>59,435</u>	<u>\$ 783,995</u>
<b>Fund balance, ending</b>			<u>\$ 758,129</u>	

**CITY OF NEWPORT, OREGON**  
**SDC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under)
<b>Revenues</b>				
System Development Charges	\$ 490,700	\$ 490,700	\$ 346,303	\$ (144,397)
Interest From System Development Charges	-	-	2,487	2,487
Interest On Investments	-	-	3,497	3,497
Total revenues	490,700	490,700	352,287	(138,413)
<b>Other financing sources</b>				
Transfer From Capital Project Fund	-	-	18,067	18,067
Total other financing sources	-	-	18,067	18,067
<b>Fund balance, beginning</b>	743,282	743,282	791,582	48,300
Amount available for appropriation	\$ 1,233,982	\$ 1,233,982	1,161,936	\$ (72,046)
	Original Budget	Final Budget	Actual	(Over) Under
<b>Other financing uses</b>				
Transfers to other funds	\$ 190,000	\$ 190,000	10,000	\$ 180,000
Contingency	673,168	673,168	-	673,168
Total other financing uses	863,168	863,168	10,000	853,168
Total expenditures and other financing uses	\$ 863,168	\$ 863,168	10,000	\$ 853,168
<b>Fund balance, ending</b>			\$ 1,151,936	

**CITY OF NEWPORT, OREGON**  
**URBAN RENEWAL AGENCY**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under)
<b>Revenues</b>				
Current Property Taxes	\$ 1,833,418	\$ 1,833,418	\$ -	\$ (1,833,418)
Delinquent Property Taxes	63,038	63,038	-	(63,038)
FEMA Grant	417,629	417,629	-	(417,629)
Interest On Investments	15,000	15,000	232	(14,768)
Total revenues	<u>2,329,085</u>	<u>2,329,085</u>	<u>232</u>	<u>(2,328,853)</u>
<b>Other financing sources</b>				
Bond and Loan Proceeds	5,400,000	5,400,000	5,456,000	56,000
Total other financing sources	<u>5,400,000</u>	<u>5,400,000</u>	<u>5,456,000</u>	<u>56,000</u>
<b>Fund balance, beginning</b>	2,125,359	2,125,359	277,073	(1,848,286)
Amount available for appropriation	<u>\$ 9,854,444</u>	<u>\$ 9,854,444</u>	<u>5,733,305</u>	<u>\$ (4,121,139)</u>

	Original Budget	Final Budget	Actual	(Over) Under
<b>Expenditures</b>				
Personal services	\$ 62,028	\$ 62,028	34,132	\$ 27,896
Material and services	111,717	111,717	117,139	(5,422)
Debt service	1,215,079	1,215,079	-	1,215,079
Capital outlay	1,525,000	1,790,000	1,649,123	140,877
Contingency	840,296	575,296	-	-
Total expenditures	<u>3,754,120</u>	<u>3,754,120</u>	<u>1,800,394</u>	<u>1,378,430</u>
<b>Other financing uses</b>				
Transfers out to other funds	3,193,106	3,193,106	3,193,106	-
Total expenditures and other financing use	<u>\$ 6,947,226</u>	<u>\$ 6,947,226</u>	<u>4,993,500</u>	<u>\$ 1,378,430</u>
<b>Fund balance, ending</b>			<u>\$ 739,805</u>	

**CITY OF NEWPORT, OREGON**  
**PUBLIC WORKS SERVICES FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

<b>Revenues:</b>	Original Budget	Final Budget	Actual	Over (Under)
Service Provided For Street Fund	\$ 150,000	\$ 150,000	\$ 119,150	\$ (30,850)
Service Provided For Water Fund	308,833	308,833	245,316	(63,517)
Service Provided For Sewer Fund	309,399	309,399	245,766	(63,633)
Interest On Investments	1,000	1,000	1,221	221
Misc. Sales & Services	-	-	80	80
Total revenues	<u>769,232</u>	<u>769,232</u>	<u>611,533</u>	<u>(157,699)</u>
<b>Fund balance, beginning</b>	196,867	196,867	204,481	7,614
Amount available for appropriation	<u>\$ 966,099</u>	<u>\$ 966,099</u>	<u>816,014</u>	<u>\$ (150,085)</u>

<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
Public Works Administration	\$ 294,932	\$ 300,532	292,555	\$ 7,977
Engineering Services	482,499	476,899	338,772	138,127
Fleet Maintenance	88,119	88,119	1,210	86,909
Contingency	100,549	100,549	-	100,549
Total expenditures	<u>\$ 966,099</u>	<u>\$ 966,099</u>	<u>632,537</u>	<u>\$ 333,562</u>
<b>Fund balance, ending</b>			<u>\$ 183,477</u>	

A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.  
*Winston Churchill*

■

**Combining Statements and  
Schedules of Revenues and Expenditures – Budget and Actuals  
Nonmajor Governmental Fund  
Nonmajor Debt Service Funds**

Debt Service Fund accumulates resources for payment of long term debt principal and interest payment associated with governmental activities.

- **Debt Service – General** – accounts for repayment of the Swimming Pool General Obligation Bond, which were financed by property taxes. Also included are League of Oregon Cities Certificates of Participation Loans, Series 2007B and Series 2009B, which requirements are met through transfers from the General Fund, Water Fund, Wastewater Fund, Airport Fund, Street Fund, Line Undergrounding Fund and Room Tax Fund. Also included the 2013 North Side Fire Station who debt service is provided through a transfer from the General Fund

**CITY OF NEWPORT, OREGON**  
**DEBT SERVICE**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
Current Property Taxes	\$ -	\$ -	\$ 517,702	\$ 517,702
Interest On Investments	100	100	403	303
Total revenues	<u>100</u>	<u>100</u>	<u>518,105</u>	<u>518,005</u>
<b>Other financing sources</b>				
Transfer From General Fund	167,442	167,442	167,442	-
Transfer From Airport Fund	6,746	6,746	6,746	-
Transfer From Room Tax Fund	14,491	14,491	14,491	-
Transfer From Street Fund	62,190	62,190	62,190	-
Transfer From Line Underground Fund	59,435	59,435	59,435	-
Transfer From Water Fund	4,553	4,553	4,553	-
Transfer From Sewer Fund	31,337	31,337	31,337	-
Total other financing sources	<u>346,194</u>	<u>346,194</u>	<u>346,194</u>	<u>-</u>
<b>Fund balance, beginning (Restated)</b>	7,466	7,466	9,450	1,984
Amount available for appropriation	<u>\$ 353,760</u>	<u>\$ 353,760</u>	<u>873,749</u>	<u>\$ 519,989</u>
<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
SWIMMING POOL BOND	\$ -	\$ -	476,905	\$ (476,905)
GENERAL DEBT	-	-	343,006	(343,006)
MATERIALS & SERVICES	1,972	1,972	-	1,972
2007 LO-CAP PROGRAM	24,584	24,584	-	24,584
2009 LO-CAP PROGRAM	294,965	294,965	-	294,965
2013 NORTH SIDE FIRE AGREEMENT	24,673	24,673	-	24,673
Total expenditures	<u>346,194</u>	<u>346,194</u>	<u>819,911</u>	<u>( 473,717)</u>
Unappropriated ending balance	7,566	7,566	-	7,566
Total expenditures and other financing uses	<u>\$ 353,760</u>	<u>\$ 353,760</u>	<u>819,911</u>	<u>(\$ 466,151)</u>
<b>Fund balance, ending</b>			<u>\$ 53,838</u>	

**Combining Statements and  
Schedules of Revenues and Expenditures – Budget and Actuals  
Nonmajor Capital Projects Funds**

Capital Projects Funds are created to account for financial resources used for the acquisition or construction of major capital facilities and infrastructure. Projects financed by proprietary funds are included in the Enterprise Funds.

- **Reserve** – accounts for monies accumulated for the replacement of vehicles, computer equipment and City facilities.



**CITY OF NEWPORT, OREGON**  
**RESERVE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under)
<b>Revenues</b>				
Interest On Investments	\$ -	\$ -	\$ 1,625	\$ 1,625
<b>Other financing source</b>				
Transfer From General Fund	180,000	180,000	180,000	-
Total other financing sources	180,000	180,000	180,000	-
<b>Fund balance, beginning</b>	320,000	320,000	320,513	513
Amount available for appropriation	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>502,138</u>	<u>\$ 513</u>
	Original Budget	Final Budget	Actual	(Over) Under
<b>Expenditures</b>				
Capital Outlay	\$ 425,000	\$ 425,000	-	\$ 425,000
	<u>\$ 425,000</u>	<u>\$ 425,000</u>	-	<u>\$ 425,000</u>
<b>Fund balance, ending</b>			<u>\$ 502,138</u>	

## Schedules of Revenues and Expenditures – Budget and Actuals

### Major Proprietary Funds

#### Enterprise Funds

A proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

- **Water** – accounts for all programs associated with provision of water to the citizenry of the City of Newport. Activities include, treatment distribution, source (dams) maintenance and improvements to the water system.
- **Wastewater** – accounts for all programs associated with the collection and treatment of wastewater in the City of Newport. Activities include collection and treatment to the wastewater system.
- **Debt Service-Water** – accounts for repayment of debt incurred for the new Water Treatment Plant and improvements to the water system. These debts were financed by property taxes, revenue bonds and utility service charges.
- **Debt Service-Wastewater** – accounts for repayment of debt incurred for the Wastewater Treatment Plant and improvements to the wastewater system. These debts were finance by property taxes, CWSRF loans, and utility service charges.
- **Capital Projects-Proprietary** – accounts for various projects for the improvement to the Water and Wastewater systems for the City of Newport.

**CITY OF NEWPORT, OREGON**  
**WATER FUND (A MAJOR FUND)**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under)
<b>Revenues</b>				
Water User Charges	\$ 3,465,000	\$ 3,465,000	\$ 3,523,479	\$ 58,479
Misc. Sales and Services	47,000	47,000	76,090	29,090
New Services and Meters	5,000	5,000	50,380	45,380
Interest On Investments	2,000	2,000	4,580	2,580
Total revenues	3,519,000	3,519,000	3,654,529	135,529
<b>Fund balance, beginning</b>	433,534	766,103	764,824	(1,279)
<b>Total fund balance, beginning</b>	433,534	766,103	764,824	(1,279)
Amount available for appropriation	\$ 3,952,534	\$ 4,285,103	4,419,353	\$ 134,250
	Original Budget	Final Budget	Actual	(Over) Under
<b>Expenditures</b>				
Water Plant	\$ 869,582	\$ 989,582	846,422	\$ 143,160
Water Distribution	938,246	965,246	887,147	78,099
Non Departmental	769,733	769,733	688,543	81,190
Contingencies	175,000	184,415	-	184,415
Total expenditures	2,752,561	2,908,976	2,422,112	486,864
<b>Other financing uses</b>				
Transfers out	955,658	1,131,812	363,066	768,746
Total other financing uses	955,658	1,131,812	363,066	768,746
Total expenditures and other financing uses	\$3,708,219	\$4,040,788	2,785,178	\$1,255,610
<b>Budgetary fund balance</b>			1,634,175	
<b>RECONCILIATION TO NET POSITION</b>				
Capital assets, Net			22,720,504	
Inventories			328,181	
Compensated absences			(33,154)	
Long term debt payable			(21,053,033)	
Bond premium			(154,075)	
Interest payable			(71,963)	
Net pension liability			(151,330)	
Deferred outflows of resources			12,637	
OPEB			(23,645)	
			\$ 3,208,297	

**CITY OF NEWPORT, OREGON**  
**SEWER FUND (A MAJOR FUND)**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
Sewer User Charges	\$ 3,717,000	\$ 3,717,000	\$ 3,832,265	\$ 115,265
Septage	-	-	9,055	9,055
Interest On Investments	500	500	1,913	1,413
Misc. Sales & Services	-	-	6,299	6,299
Total revenues	<u>3,717,500</u>	<u>3,717,500</u>	<u>3,849,532</u>	<u>132,032</u>
<b>Fund balance, beginning</b>	830,812	775,061	775,060	(1)
Amount available for appropriation	<u>\$ 4,548,312</u>	<u>\$ 4,492,561</u>	<u>4,624,592</u>	<u>\$ 132,031</u>

<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
Wastewater Plant	\$ 1,350,155	\$ 1,350,155	1,222,303	\$ 127,852
Wastewater Collection	493,132	568,132	546,160	21,972
Non-Departmental	856,171	866,171	797,341	68,830
Contingencies	250,000	180,202	-	180,202
Total expenditures	<u>2,949,458</u>	<u>2,964,660</u>	<u>2,565,804</u>	<u>398,856</u>
<b>Other financing uses</b>				
Transfers out to other funds	1,315,347	1,244,394	1,090,636	153,758
Total other financing uses	<u>1,315,347</u>	<u>1,244,394</u>	<u>1,090,636</u>	<u>153,758</u>
Total expenditures and other financing uses	<u>\$4,264,805</u>	<u>\$4,209,054</u>	<u>3,656,440</u>	<u>\$552,614</u>
<b>Budgetary fund balance</b>			968,152	

**RECONCILIATION TO NET POSITION**

Capital assets, Net	36,951,518
Compensated absences	(28,665)
Long term debt payable	(7,015,000)
Bond premium	(178,562)
Interest payable	(28,181)
Net pension liability	(127,411)
Deferred outflows of resources	10,639
OPEB	(17,851)
	<u>\$ 30,534,639</u>

**CITY OF NEWPORT, OREGON**  
**DEBT SERVICE - WATER FUND (A MAJOR FUND)**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under)
<b>Revenues</b>				
Current Property Taxes	\$ 2,210,336	\$ 2,210,336	\$ 854,451	\$ (1,355,885)
Delinquent Property Taxes	72,000	72,000	33,782	(38,218)
Interest On Investments	5,000	5,000	1,813	(3,187)
Total revenues	<u>2,287,336</u>	<u>2,287,336</u>	<u>890,046</u>	<u>(1,397,290)</u>
<b>Other financing sources</b>				
Prior Period transfer	-	-	198,878	198,878
Transfer From Water Fund	-	-	60,000	60,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>258,878</u>	<u>258,878</u>
Fund Balance, Beginning	-	-	1,186,234	987,356
Prior period adjustment	-	-	(1,186,234)	987,356
<b>Fund balance, beginning</b>	<u>524,786</u>	<u>524,786</u>	<u>-</u>	<u>(524,786)</u>
Amount available for appropriation	<u>\$ 2,812,122</u>	<u>\$ 2,812,122</u>	<u>1,148,924</u>	<u>\$ (1,663,198)</u>

	Original Budget	Final Budget	Actual	(Over) Under
<b>Expenditures</b>				
2009 WTP GO BONDS	\$ -	\$ -	842,225	\$ (842,225)
SEAL ROCK AGREEMENT	-	-	60,000	(60,000)
2008 SEWER GO REFUNDING BOND	933,400	933,400	-	933,400
2009 WATER TREATMENT GO BOND	842,225	842,225	-	842,225
2013 SWIMMING POOL GO BOND	476,908	476,908	-	476,908
Total expenditures	<u>2,252,533</u>	<u>2,252,533</u>	<u>902,225</u>	<u>1,350,308</u>
<b>Other financing uses</b>				
Transfers to other funds	109,189	109,189	109,189	-
Total other financing uses	<u>109,189</u>	<u>109,189</u>	<u>109,189</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 2,361,722</u>	<u>\$ 2,361,722</u>	<u>1,011,414</u>	<u>\$ 1,350,308</u>
<b>Fund balance, ending</b>			137,510	
<b>Reconciliation to Net Position</b>				
Property tax adjustments			65,203	
			<u>\$ 202,713</u>	

**CITY OF NEWPORT, OREGON**  
**DEBT SERVICE - SEWER FUND (A MAJOR FUND)**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2015

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
Current Property Taxes	\$ -	\$ -	\$ 868,594	\$ 868,594
Delinquent Property Taxes	-	-	42,392	42,392
Interest On Investments	3,000	3,000	5,611	2,611
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>916,597</u>	<u>913,597</u>
<b>Other financing sources</b>				
Transfer From Room Tax Fund	127,325	127,325	127,325	-
Transfer From SDC Fund	10,000	10,000	10,000	-
Transfer From Sewer Fund	631,113	631,113	631,113	-
Transfer From Water Fund	60,000	60,000	-	(60,000)
Total other financing sources	<u>828,438</u>	<u>828,438</u>	<u>768,438</u>	<u>(60,000)</u>
Fund Balance, Beginning	-	-	-	-
Prior period adjustment	-	-	977,906	977,906
<b>Fund balance, beginning</b>	<u>626,508</u>	<u>626,508</u>	<u>977,906</u>	<u>351,398</u>
Amount available for appropriation	<u>\$ 1,457,946</u>	<u>\$ 1,457,946</u>	<u>2,662,941</u>	<u>\$ 1,204,995</u>

<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
2008 GO WW REFUNDING BOND	\$ -	\$ -	933,400	\$ (933,400)
2010A SERIES OBLIGATION BOND	571,407	571,407	571,406	1
SEAL ROCK AGREEMENT	60,000	60,000	-	60,000
Total expenditures	<u>\$ 631,407</u>	<u>\$ 631,407</u>	<u>1,504,806</u>	<u>\$ (873,399)</u>
<b>Fund balance, ending</b>			1,158,135	
<b>Reconciliation to Net Position</b>				
Property tax adjustments			64,339	
			<u>\$ 1,222,474</u>	

**• CITY OF NEWPORT, OREGON**  
**CAPITAL PROJECTS FUND - PROPRIETARY (A MAJOR FUND)**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
 for the year ended June 30, 2015

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
State Grants	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
Interest On Investments	101,000	101,000	16,826	(84,174)
Misc. Sales & Services	-	-	11,800	11,800
Total revenues	<u>351,000</u>	<u>351,000</u>	<u>278,626</u>	<u>(72,374)</u>
<b>Other financing sources</b>				
Miscellaneous Loan Revenue	-	-	54,800	54,800
Bond and Loan Proceeds	7,509,086	7,159,878	5,918,354	(1,241,524)
CWSRF Loan #1	-	-	100,333	100,333
Transfer From General Fund	-	96,621	96,621	-
Transfer From Bonded Debt Fund	109,189	109,189	109,189	-
Transfer From Cap Proj Fund	228,321	44,016	44,016	-
Transfer From Water Fund	87,359	263,513	263,513	-
Transfer Fr. Sewer Fund	464,139	393,186	393,186	-
Total other financing sources	<u>8,398,094</u>	<u>8,066,403</u>	<u>6,980,012</u>	<u>(1,086,391)</u>
<b>Fund balance, beginning</b>	-	-	-	-
Amount available for appropriation	<u>\$ 8,749,094</u>	<u>\$ 8,417,403</u>	<u>7,258,638</u>	<u>\$ (1,158,765)</u>
<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
Capital Projects - Water	\$ 5,274,869	\$ 5,266,718	2,351,781	\$ 2,914,937
Capital Projects - Wastewater	3,473,225	3,149,685	1,783,968	1,365,717
Contingency	1,000	1,000	-	1,000
Total expenditures	<u>\$ 8,749,094</u>	<u>\$ 8,417,403</u>	<u>4,135,749</u>	<u>\$ 4,281,654</u>
<b>Budgetary Fund Balance</b>			<u>\$ 3,122,889</u>	

## **AUDIT COMPLIANCE**



## **AUDIT COMPLIANCE**



## INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS

Honorable Mayor and Members  
of the City Council  
**CITY OF NEWPORT**  
Newport, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the CITY OF NEWPORT as of and for the year ended June 30, 2015, and have issued our report thereon dated January 22, 2016.

### Compliance

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **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).**

Honorable Mayor and Members  
of the City Council  
**CITY OF NEWPORT**  
Newport, Oregon

**Compliance (continued)**

In connection with our testing nothing came to our attention, except as noted below, that caused us to believe the City 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 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

Expenditures in excess of appropriations occurred as follows:

<u>Fund/ Appropriation Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
Newport Urban Renewal Agency - Debt service	\$ 331,080	\$1,215,078	\$ (883,998)
Debt Service - Debt service	346,194	819,911	(473,717)
Debt Service - Sewer - Debt Service	631,407	1,504,806	(873,399)

**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Deficiencies in internal control, if any, were communicated separately.

**Restriction on Use**

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

**Boldt Carlisle + Smith**  
Certified Public Accountants  
Salem, Oregon  
January 22, 2016

By:



Bradley G. Bingenheimer, Member



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members  
of the City Council  
**CITY OF NEWPORT**  
Newport, Oregon

We have audited, in accordance with auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF NEWPORT** as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Mayor and Members  
of the City Council  
**CITY OF NEWPORT**  
Newport, Oregon

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (continued)**

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Boldt Carlisle & Smith*

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
January 22, 2016



## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and Members  
of the City Council  
**CITY OF NEWPORT**  
Newport, Oregon

### **Report on Compliance for Each Major Federal Program**

We have audited the City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the City's 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, **CITY OF NEWPORT**, complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Honorable Mayor and Members  
of the City Council  
CITY OF NEWPORT  
Newport, Oregon

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)**

**Report on Internal Control Over Compliance**

Management of the CITY OF NEWPORT is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the City's 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Boldt Carlisle & Smith*

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
January 22, 2016

CITY OF NEWPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015

**Section I Summary of Auditors' Results**

---

***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal controls over financial reporting:

    Material weakness(es) identified? No

    Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

***Federal awards***

Internal control over major federal programs:

    Material weakness(es) identified? No

    Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

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

Identification of major federal programs:

CFDA	
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as a low-risk auditee: Yes

**Section II - Financial Statement Findings**

---

None

**Section III - Federal Award Findings and Questioned Costs**

---

None



CITY OF NEWPORT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>Department of Commerce</i>			
<b>National Oceanic and Atmospheric Administration</b>			
Passed through Oregon Department of Land Conservation and Development			
Coastal Zone Management Administration Awards	11.419	TA306-13-003	\$ 7,500
<i>Department of Justice</i>			
<b>Bureau of Justice Assistance</b>			
Bulletproof Vest Partnership Program	16.607		1,420
<i>Department of Transportation</i>			
<b>Federal Aviation Administration</b>			
Airport Improvement Program	20.106		5,051,752
<i>Environmental Protection Agency</i>			
<b>Office of Water</b>			
Passed through Oregon Department of Environmental Quality			
Capitalization Grants for Clean Water State Revolving Funds - ARRA	66.458	R68933	806,128
<i>Department of Homeland Security</i>			
<b>Federal Emergency Management Agency</b>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		91,845
Passed through Oregon Office of Emergency Management			
Hazard Mitigation Grant	97.039	041-52450-00	171,793
Total Department of Homeland Security			263,638
Total Expenditures of Federal Awards			\$ 6,130,438

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

*Basis of Presentation*

The accompanying schedule of expenditures of federal awards is a summary of the City's federal award programs presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.