

**NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON**

**FINANCIAL REPORT**

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



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223

**NEWPORT URBAN RENEWAL AGENCY**  
**LINCOLN COUNTY, OREGON**

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

**COMPONENT UNIT**

**ANNUAL FINANCIAL REPORT**

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**NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON**

**ELECTED OFFICIALS**

June 30, 2011

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

All Board Members receive mail at the address below.

**AGENCY ADMINISTRATION**

Jim Voetberg, Agency Manager  
Penelope McCarthy, Agency Attorney

169 SW Coast Hwy.  
Newport, Oregon 97365

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**NEWPORT URBAN RENEWAL AGENCY**  
**LINCOLN COUNTY, OREGON**

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**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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

November 17, 2011

To the Agency Board  
Newport Urban Renewal Agency  
Newport, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Newport Urban Renewal Agency, as of and for the year ended June 30, 2011 which collectively comprise the basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Newport Urban Renewal Agency, as of June 30, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The supplementary information of individual fund statements and other financial schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



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## **Management's Discussion and Analysis**

The Management of the Newport Urban Renewal Agency offers readers of the Agency's financial statements this discussion of the financial activities of the Newport Urban Renewal Agency for the fiscal year ended 30 June 2011. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements that follow.

### **Financial Highlights**

**Net Assets** - The assets of the Newport Urban Renewal Agency exceeded its liabilities at the close of the most recent fiscal year by **\$13.51 million**. Of this amount, **\$3.19 million** may be used to meet the government's ongoing obligations to citizens and creditors; the agency's total net assets increased by **\$0.367 million**.

Governmental Funds - As of the close of the fiscal year, the Newport Urban Renewal Agency's governmental funds reported combined ending fund balances of **\$1.90 million**.

During the fiscal year, the Newport Urban Renewal Agency's total debt increased by **\$1.59 million**.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Newport Urban Renewal Agency'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 basic financial statements. The report also contains other supplementary information, in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a summary of the Newport Urban Renewal Agency's finances in a manner similar to what they expect to see in the private-sector.

The Statement of Net Assets presents information about all of the Newport Urban Renewal Agency's assets and liabilities; the difference between the two is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Newport Urban Renewal Agency is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes). The governmental activities of the Newport Urban Renewal Agency include activities in two urban renewal districts: the North Side Urban Renewal District ("Urban

Renewal”), and the South Beach Urban Renewal District. Each district engages in capital project construction and debt payment activities.

**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. The Newport Urban Renewal Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements. All of the funds of the Newport Urban Renewal Agency are governmental funds.

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

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

The Newport Urban Renewal Agency maintains two individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balances for the North Side Urban Renewal District Fund and the South Beach Urban Renewal District Fund. The details of the major funds are presented in the Basic Financial Statements section of these financial statements.

**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.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Newport Urban Renewal Agency, assets exceeded liabilities by **\$13.51 million** as of 30 June 2011.

The largest portion of the Newport Urban Renewal Agency’s net assets (**70.8%** percent) reflects its investment in capital assets (land, buildings, machinery, and equipment), less any related debt used to acquire those assets, that is still outstanding. Because, the Newport Urban Renewal Agency uses these capital assets to provide services to citizens, these assets are not available for future spending. Although the Newport Urban Renewal

Agency's investment in its capital assets is reported net of related debt, note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

<b>Table 1</b>			
<b>SUMMARY OF NET ASSETS</b>			
<b>For the Year Ended June 30, 2011</b>			
<b>Governmental Activities</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Cash and investments	\$ 6,909,816	\$ 4,125,697	\$ 1,234,816
Other assets	387,828	427,440	7,100,140
Capital assets	11,880,030	11,446,395	9,570,306
<b>Total Assets</b>	<b>\$19,177,674</b>	<b>\$15,999,532</b>	<b>\$17,905,262</b>
Other liabilities	6,600	56,262	2,207
Long term debt outstanding	3,134,996	2,798,474	4,390,978
<b>Total Liabilities</b>	<b>\$3,141,596</b>	<b>\$2,854,736</b>	<b>\$4,393,185</b>
Net assets:			
Investment in capital assets, net of c	8,745,034	8,647,921	10,325,094
Restricted:			
Debt service	6,207,709	3,352,606	1,233,781
Unrestricted	1,083,335	1,144,269	1,953,202
<b>Total Net Assets</b>	<b>\$16,036,078</b>	<b>\$13,144,796</b>	<b>\$13,512,077</b>

Newport Urban Renewal Agency's net assets represent resources that are invested in capital assets, net of related debt. The remaining balance, **\$1.23 million**, is unrestricted and may be used to meet the Agency's ongoing obligations to citizens and creditors.

**Table 2**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended 30 June 2011**

	2009	2010	2011
<b>REVENUES</b>			
Program Services			
Charges for Services	\$ -	-	
General Revenue			
Taxes	4,492,883	4,548,989	2,553,202
Interest and Investment Earnings	177,490	40,010	11,787
Other Revenue	8,808	2,338	1,125,734
Transfers			(959,102)
<b>Total Revenues</b>	<b>\$4,679,181</b>	<b>\$4,591,337</b>	<b>\$2,731,621</b>
<b>EXPENSES</b>			
Programs	5,897,401	7,341,411	2,195,560
Interest on Long-Term Debt		141,208	389,568
		7,482,619	2,585,128
Change in Net Assets	(1,218,220)	(2,891,282)	146,493
Prior Period Adjustment			220,788
Beginning Net Assets	17,254,298	16,036,078	13,144,796
<b>Ending Net Assets</b>	<b>\$16,036,078</b>	<b>\$13,144,796</b>	<b>\$13,512,077</b>

**Financial Analysis of the Agency's funds**

**Governmental funds.** The purpose of the Newport Urban Renewal Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Newport Urban Renewal Agency'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 Newport Urban Renewal Agency's governmental funds reported combined ending fund balances of **\$1.90 million**.

**Budgetary Highlights**

The Agency Board did not make any changes to the adopted budget during the year.

**Capital Asset and Debt Administration**

**Capital assets.** As of 30 June 2011, the Newport Urban Renewal Agency's investment in capital assets for its governmental activities was **\$14.72 million** (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, equipment, and infrastructure.

**Table 3**  
**Capital Assets at year-end**  
**(net of depreciation)**  
**For the Year Ended 30 June 2011**

	2009	2010	2011
Land	6,200,036	6,200,036	6,426,163
Buildings and structures	8,242,540	8,242,540	8,242,540
Construction in Progress		54,656	3,144,143
Equipment	492,229	492,229	492,229
Infrastructure	2,812,414	2,812,414	2,812,414
Less accumulated depreciation	(5,867,189)	(6,355,480)	(6,401,417)
<b>Total</b>	<b>\$11,880,030</b>	<b>\$11,446,395</b>	<b>\$14,716,072</b>

**Table 4**  
**Change in Capital Assets**  
**For the Year Ended 30 June 2011**

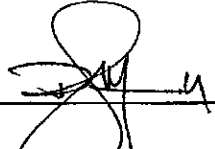
	2009	2010	2011
Beginning balance	11,683,130	11,880,030	11,446,395
Additions	472,792	54,656	3,315,614
Depreciation	(275,892)	(488,291)	(266,725)
Adjustments			220,788
<b>Ending Balance</b>	<b>\$ 11,880,030</b>	<b>\$ 11,446,395</b>	<b>\$ 14,716,072</b>

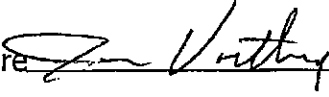
**Long-term debt.** At the end of the fiscal year, the Newport Urban Renewal Agency had total long-term debt outstanding of **\$4.33 million**. In governmental activity, a 1991 loan of \$500,000 to help finance the Oregon Coast Aquarium was paid off this year. In 2007, Bank of America loaned the Urban Renewal Agency \$900,000 to construct the 4B Storm Drain project in the South Beach Urban Renewal District. The amount outstanding is **\$0.596 million**. In 2008, the Agency issued \$2,530,000 of Urban Renewal bonds to Bank of America. The amount outstanding is **\$1.88 million**. When the City of Newport refunded several prior debts, the URA borrowed an additional \$2.0 million to help finance transportation improvements, since completed which improved access to the *Pacific Marine Operations Center*.

**Table 5  
Outstanding Debt at Year-End  
For the Year Ended 30 June 2011**

	2009	2010	2011
<b>Governmental</b>			
Oregon Coast Aquarium Loan 1991	51,996	14,474	
Bank of America, Series 2007	758,000	679,000	596,000
Bank of America, Series 2008	2,325,000	2,105,000	1,880,000
Full Faith & Credit Refunding, Series 2010B			1,854,696
<b>Total</b>	<b>\$ 3,134,996</b>	<b>\$ 2,798,474</b>	<b>\$ 4,330,696</b>

**Requests for information.** This financial report is designed to provide a general overview of the Newport Urban Renewal Agency'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, Newport Urban Renewal Agency, 169 SW Coast Highway, Newport, Oregon 97365.

Signature  \_\_\_\_\_  
 Title: Finance Director

Signature  \_\_\_\_\_  
 Title: City Manager

**NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON**

**COMPONENT UNIT BASIC FINANCIAL STATEMENTS**



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NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

STATEMENT OF NET ASSETS

June 30, 2011

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ASSETS	
Cash and cash equivalents	\$ 1,234,816
Receivables, net	990,884
Due from City of Newport	904,696
Bond Issue Costs	58,794
Capital Assets, not depreciable	9,570,306
Capital Assets, net of accumulated depreciation	<u>5,145,766</u>
Total Assets	<u>17,905,262</u>
LIABILITIES:	
Accounts Payable	2,207
Noncurrent Liabilities	
Due within one year	479,416
Due in more than one year	<u>3,911,562</u>
Total Liabilities	<u>4,393,185</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	10,325,094
Restricted for Debt Service	1,233,781
Unrestricted	<u>1,953,202</u>
Total Net Assets	<u>\$ 13,512,077</u>

See accompanying notes to basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental activities				
Public improvement	\$ 2,195,560	\$ -	\$ 1,100,000	\$ (1,095,560)
Interest on long-term debt	389,568	-	-	(389,568)
Total Governmental Activities	<u>\$ 2,585,128</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>(1,485,128)</u>
General Revenues and Transfers:				
Property Taxes				2,553,202
Investment earnings				11,787
Other Revenue				25,734
Transfer - Capital Projects				<u>(959,102)</u>
Total General Revenues and Transfers				<u>1,631,621</u>
Changes in Net Assets				146,493
Net Assets - Beginning				13,144,796
Prior Period Adjustment				<u>220,788</u>
Net Assets - Ending				<u>\$ 13,512,077</u>

See accompanying notes to basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	NS URBAN RENEWAL DISTRICT	SB URBAN RENEWAL DISTRICT	TOTAL GOVERNMENTAL
<b>ASSETS:</b>			
Cash & cash equivalents	\$ 305,545	\$ 929,271	\$ 1,234,816
Accounts receivable	11,876	632,467	644,343
Property taxes receivable	154,326	192,215	346,541
	<u>471,747</u>	<u>1,753,953</u>	<u>2,225,700</u>
Total Assets	<u>\$ 471,747</u>	<u>\$ 1,753,953</u>	<u>\$ 2,225,700</u>
<b>LIABILITIES AND FUND EQUITY:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 454	\$ 1,753	\$ 2,207
Deferred Revenue	143,925	179,813	323,738
	<u>144,379</u>	<u>181,566</u>	<u>325,945</u>
Total Liabilities	<u>144,379</u>	<u>181,566</u>	<u>325,945</u>
<b>Fund Equity:</b>			
Restricted for Debt Service	327,368	906,413	1,233,781
Assigned for Capital Projects	-	665,974	665,974
	<u>327,368</u>	<u>1,572,387</u>	<u>1,899,755</u>
Total Fund Equity	<u>327,368</u>	<u>1,572,387</u>	<u>1,899,755</u>
Total Liabilities and Fund Equity	<u>\$ 471,747</u>	<u>\$ 1,753,953</u>	<u>\$ 2,225,700</u>

See accompanying notes to basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

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

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

Fund Balances		\$	1,899,755
<p>The cost of governmental capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Agency as a whole.</p>			
Net Capital Assets			14,716,072
<p>Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.</p>			
<p>Long-term Liabilities:</p>			
Bonds and Loans Payable	\$	(4,330,696)	
Bond Issue Costs		58,794	
Bond Premium		(60,282)	
Due from City of Newport for Debt Principal Payments		<u>904,696</u>	
			(3,427,488)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>			
Deferred Revenue			<u>323,738</u>
Total Net Assets		\$	<u><u>13,512,077</u></u>

See accompanying notes to basic financial statements.

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

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

	NS URBAN RENEWAL DISTRICT	SB URBAN RENEWAL DISTRICT	TOTAL GOVERNMENTAL
<b>REVENUES:</b>			
Taxes	\$ 641,197	\$ 1,936,847	\$ 2,578,044
Intergovernmental	-	25,734	25,734
Grants	-	1,100,000	1,100,000
Interest on Investments	1,430	10,357	11,787
<b>Total Revenues</b>	<b>642,627</b>	<b>3,072,938</b>	<b>3,715,565</b>
<b>EXPENDITURES:</b>			
Materials and Services	33,057	26,815	59,872
Special Payments	1,054,376	814,712	1,869,088
Debt service	447,071	1,314,971	1,762,042
Capital outlay	8,589	226,127	234,716
<b>Total Expenditures</b>	<b>1,543,093</b>	<b>2,382,625</b>	<b>3,925,718</b>
Excess of Revenues, Over (Under) Expenditures	(900,466)	690,313	(210,153)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds - Principal	-	2,000,000	2,000,000
Bond Proceeds - Premium	-	65,306	65,306
Bond Issuance Costs	-	(63,693)	(63,693)
Transfers Out	-	(4,040,000)	(4,040,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(2,038,387)</b>	<b>(2,038,387)</b>
Net Change in Fund Balance	(900,466)	(1,348,074)	(2,248,540)
Beginning Fund Balance	1,227,834	2,920,461	4,148,295
Ending Fund Balance	\$ 327,368	\$ 1,572,387	\$ 1,899,755

See accompanying notes to basic financial statements.

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

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

Excess of Revenues over Expenditures \$ (2,248,540)

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

Acquisition of Capital Assets (net)	\$ 3,315,614	
Depreciation Expense	(266,725)	
Net Adjustment	3,048,889	3,048,889

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

Issuance of Bonds - Principal Proceeds	\$ (2,000,000)	
Issuance of Bonds - Premium	(65,306)	
Bonds Issuance Costs	63,693	
Amortization of Bond Premium	5,024	
Amortization of Issuance Costs	(4,899)	
Principal Payment of Long-Term Debt	1,372,474	(629,014)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This adjustment combines the net changes in deferred taxes between years.

Property Taxes		(24,842)
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Change in Net Assets		\$ 146,493
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See accompanying notes to basic financial statements.

NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Newport Urban Renewal Agency of Newport, Oregon (Agency) financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

**A. DESCRIPTION OF THE REPORTING ENTITY**

The Newport Urban Renewal Agency was established by the City of Newport per Resolution #1647. The Board consisted of five members appointed by the Mayor with the approval of the majority of the City Council. In April of 2007, Resolution # 1910 was adopted whereby full authority of the Agency was transferred to the Mayor and City Council and the appointed board was named as an advisory committee. Although the Agency Board and the City Council are made up of the same members, each is a legally separate entity and conducts all business as such. Based on standards set forth in GASB Statement #39, the Agency is considered a component unit of the City as it is considered accountable to the City. Accordingly, the financial statements of the Agency are included in the City's basic financial statements.

There are many governmental agencies which provide services within the Newport Urban Renewal Agency. These agencies have independent governing boards and the Agency does not have any oversight responsibility. Financial reporting information for these agencies are not included in these financial statements.

**B. BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)**

The government-wide statements report information irrespective of fund activity, and the fund financial statements report information using funds. The government-wide statements focus on the sustainability as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities. These statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

General receipts are from property and related taxes, and interest. All disbursements are categorized as program disbursements and interest on long-term debt.

**FUND FINANCIAL STATEMENTS**

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.



NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received.

There are the following major governmental funds:

**South Beach Urban Renewal District Fund**

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

**North Side Urban Renewal District Fund**

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

**C. BUDGETS**

A budget is prepared for the governmental funds in accordance with the legal requirements set forth in the Oregon Local Budget Law. The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in early spring with a public hearing being held approximately three weeks later. The budget may be amended prior to adoption. However, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made, and the tax levy declared no later than June 30.

While financial position, results of operations, and changes in fund balance/net assets are reported on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting differs in that capital outlay expenditures, including items below the capitalization level, are expensed when purchased, debt, including debt issuance costs, are expensed when paid, property taxes are recorded when received instead of when levied, and depreciation is not recorded. Taxes receivable are not recorded as revenue until collected and inventories are budgeted as expenditures when purchased.

NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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

**C. BUDGETS (CONTINUED)**

The expenditure budgets are appropriated at the following levels:

LEVEL OF CONTROL

Materials and Services  
Capital Outlay  
Debt Service  
Special Payments  
Operating Contingency

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the financial statements reflect the final budget amounts. Expenditures in all funds were within authorized appropriations.

**D. PROPERTY TAXES AND PROPERTY TAXES RECEIVABLE**

Uncollected real and personal property taxes are reflected on the statement of net assets and the balance sheet as receivables. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the City of Newport boundaries. Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

Taxes collected within approximately sixty days of the fiscal year end are recognized as revenue. The remaining balance of property taxes receivable is recorded as deferred revenue as it is not considered available to finance operations of the current period.

**E. ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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

**F. RECEIVABLES**

Activities between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to \ from other funds". Receivables for federal and state grants, and state, county and local shared revenue are recorded as revenue in all funds as earned.

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

**G. CAPITAL ASSETS**

Capital assets are recorded at the original or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are charged to expenditures as purchased in the governmental funds, and capitalized and depreciated in the government-wide-statements. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life equal to or greater than one year. Interest incurred during construction, maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Building & Improvements	10-40
Infrastructure	20-50
Machinery & Equipment	5-20
Vehicles	5-10

**H. SUPPLY INVENTORY**

Inventories purchased are expensed as purchased. Inventories are not recorded and are considered by management to be immaterial at year end.

**I. LONG-TERM OBLIGATIONS**

Long-term obligations are reported in the government-wide financial statements as liabilities. The governmental individual fund financial statements do not report long-term obligations because they do not require the use of current financial resources.

**J. FUND EQUITY**

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

NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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

**J. FUND EQUITY (CONTINUED)**

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

There are no nonspendable, committed, or unassigned fund balances at year end.

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

**K. NET ASSETS**

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

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

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

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

NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**2. CASH AND INVESTMENTS**

State statutes govern the cash management policies. Statutes authorize investment in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

**DEPOSITS**

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

Cash is pooled with the City of Newport. Please refer to the City's basic financial statements, issued under separate cover, for additional information pertaining to the nature and collateralization of the City's cash and investments.

Cash at June 30, 2011 consisted of:

Pooled Cash	\$	<u>1,234,816</u>
Total	\$	<u>1,234,816</u>

**INVESTMENTS**

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements.

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

**Interest Rate Risk**

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date.

**Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk.

**Credit Risk – Investments**

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

**2. CASH AND INVESTMENTS (CONTINUED)**

**INVESTMENTS (CONTINUED)**

Concentration of Credit Risk

At June 30, 2011, investments were comingled with the City of Newport investments. 100% of total City of Newport investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

**3. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Prior Period Adjustment	Additions	(Deletions)	Balance End Of Year
Capital assets not being depreciated					
Land	\$ 6,200,036	\$ -	\$ 226,127	\$ -	\$ 6,426,163
Construction in progress	54,656	-	3,089,487	-	3,144,143
Total capital assets not being depreciated	<u>6,254,692</u>	-	<u>3,315,614</u>	-	<u>9,570,306</u>
Capital assets being depreciated					
Buildings & Structures	8,242,540	-	-	-	8,242,540
Equipment	492,229	-	-	-	492,229
Infrastructure	2,812,414	-	-	-	2,812,414
Total capital assets being depreciated	<u>11,547,183</u>	-	-	-	<u>11,547,183</u>
Total capital assets	17,801,875	-	-	-	21,117,489
Accumulated Depreciation					
Buildings & Structures	(5,752,310)	212,398	(205,131)	-	(5,745,043)
Equipment	(490,300)	8,390	(5,159)	-	(487,069)
Infrastructure	(112,870)	-	(56,435)	-	(169,305)
Total accumulated depreciation	<u>(6,355,480)</u>	<u>220,788</u>	<u>(266,725)</u>	-	<u>(6,401,417)</u>
Governmental activities capital assets, net	<u>\$ 11,446,395</u>				<u>\$14,716,072</u>

Depreciation expense for governmental activities is charged to the functions as follows:

Public Improvement	<u>\$ 266,725</u>
Total depreciation for governmental activities	<u>\$ 266,725</u>

NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**4. INTERGOVERNMENTAL TRANSFERS**

	Transfers In	Transfers Out
South Beach Urban Renewal Debt Service Fund	\$ -	\$ 4,040,000
City of Newport Capital Project Fund	4,040,000	-
	\$ 4,040,000	\$ 4,040,000

This transfer was made to consolidate capital asset activity in the City of Newport's capital projects fund.

**5. LONG-TERM DEBT**

Tax Exempt Series 2007 Bond

In May 2007, Urban Renewal bonds were issued with an interest rate of 5.25% in the total amount of \$900,000. The purpose of the bonds was to finance the 4B Storm Drain Project in South Beach. The bonds mature June 2017, with the current balance outstanding at year end of \$596,000.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Principal	Interest	Total
2011-12	\$ 87,000	\$ 31,290	\$ 118,290
2012-13	92,000	26,723	118,723
2013-14	96,000	21,893	117,893
2014-15	102,000	16,853	118,853
2015-16	107,000	11,498	118,498
2016-17	112,000	5,880	117,880
	\$ 596,000	\$ 114,137	\$ 710,137
Total			

Tax Exempt Series 2008 Bond

In May 2008, bonds with an interest rate of 4.25% in the amount of \$2,530,000 were issued. The purpose of the bonds were to finance infrastructure improvements related to Oregon Coast Community College campus and various other infrastructure projects in South Beach. The bonds mature June 2018, with the current balance outstanding at year end of \$1,880,000.

NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**5. LONG-TERM DEBT (CONTINUED)**

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Principal	Interest	Total
2011-12	\$ 235,000	\$ 79,900	\$ 314,900
2012-13	245,000	69,913	314,913
2013-14	255,000	59,500	314,500
2014-15	270,000	48,663	318,663
2015-16	280,000	37,188	317,188
2016-18	595,000	38,251	633,251
Total	<u>\$ 1,880,000</u>	<u>\$ 333,415</u>	<u>\$ 2,213,415</u>

Full Faith & Credit Refunding Obligations, Series 2010 B

As part of the City of Newport's \$8,465,000 refunding of several prior debts, the URA borrowed an additional \$2,000,000 to help finance transportation infrastructure improvements, which will enhance access to the Pacific Marine Operations Center. Interest rates on the debt range from .02-4.5%, with Maturity on June 15, 2023. The URA's allocation of the premium and bond issue costs is \$65,306 and \$63,693, respectively.

Fiscal Year of Maturity	Principal	Interest	Total
2011-12	\$ 152,392	\$ 61,763	\$ 214,155
2012-13	153,574	58,715	212,289
2013-14	168,931	54,108	223,039
2014-15	134,672	49,040	183,712
2015-16	140,579	45,000	185,579
2016-21	841,110	143,929	985,039
2021-23	263,438	15,103	278,541
Total	<u>\$ 1,854,696</u>	<u>\$ 427,658</u>	<u>\$ 2,282,354</u>



NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

**5. LONG-TERM DEBT (CONTINUED)**

Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due within One Year
Loan Payable	\$ 14,474	\$ -	\$ 14,474	\$ -	\$ -
2007 Bond Payable	679,000	-	83,000	596,000	87,000
2008 Bond Payable	2,105,000	-	225,000	1,880,000	235,000
2010 Bond Payable	-	2,000,000	145,304	1,854,696	152,392
2010 Bond Premium	-	65,306	5,024	60,282	5,024
<b>Total</b>	<b>\$ 2,798,474</b>	<b>\$ 2,065,306</b>	<b>\$ 472,802</b>	<b>\$ 4,390,978</b>	<b>\$ 479,416</b>

Debt service payments are made out of the North Side Urban Renewal District Fund and the South Beach Urban Renewal District Fund. Included in the debt service expenditures are payments made to the City for debt service on the City's debt which benefits the URA. See note 7 for more details.

**6. RISK MANAGEMENT**

There is exposure to various risks of loss related to torts; errors and omissions; and natural disasters. The Agency is covered by The City of Newport's commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded coverage for the last three years.

**7. PAYMENTS TO CITY**

Payments were made to the City for the purpose of paying down City debt that benefits the URA. These payments are reported as debt service in the URA financial statements because they were used to pay debt service by the City. However, the URA is not obligated to make these payments to the City, and has not guaranteed any future payments will be made to the City.

Payments made to the City during the fiscal year ended June 30, 2011 were as follows:

	<u>Payments to City</u>
North Side Urban Renewal Debt Service Fund	\$ 1,054,376
South Beach Urban Renewal Debt Service Fund	814,712
	<u>\$ 1,869,088</u>

**8. PROPERTY TAX LIMITATION**

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

NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**8. PROPERTY TAX LIMITATION (CONTINUED)**

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

**9. COMMITMENTS AND CONTINGENCIES**

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

**10. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment in the amount of \$220,788 was entered to correct depreciation expense that was over-stated in prior years.

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**NEWPORT URBAN RENEWAL AGENCY**  
**LINCOLN COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION**

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NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

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

NORTH SIDE URBAN RENEWAL DISTRICT

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

(1) Appropriation Level

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2011

SOUTH BEACH URBAN RENEWAL DISTRICT

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Property taxes	\$ 1,904,000	\$ 1,904,000	\$ 1,936,847	\$ 32,847
Intergovernmental	66,000	66,000	25,734	(40,266)
Grants	1,100,000	1,100,000	1,100,000	-
Interest on Investments	25,000	25,000	10,357	(14,643)
<b>Total Revenues</b>	<b>3,095,000</b>	<b>3,095,000</b>	<b>3,072,938</b>	<b>(22,062)</b>
<b>EXPENDITURES:</b>				
Material and Services	91,032	91,032 (1)	26,815	64,217
Capital Outlay	-	226,200 (1)	226,127	73
Debt Service	448,308	448,308 (1)	1,314,971	(866,663) *
Special Payments	814,712	814,712 (1)	814,712	-
Contingency	2,573,549	2,347,350 (1)	-	2,347,350
<b>Total Expenditures</b>	<b>3,927,601</b>	<b>3,927,601</b>	<b>2,382,625</b>	<b>1,544,976</b>
Excess of Revenues Over, (Under) Expenditures	(832,601)	(832,601)	690,313	1,522,914
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds - Principal	2,000,000	2,000,000	2,000,000	-
Bond Proceeds - Premium	-	-	65,306	(65,306)
Bond Issuance Costs	-	-	(63,693)	63,693
Transfers Out	(4,110,000)	(4,110,000) (1)	(4,040,000)	70,000
<b>Total Other Financing Sources (Uses)</b>	<b>(2,110,000)</b>	<b>(2,110,000)</b>	<b>(2,038,387)</b>	<b>68,387</b>
<b>Net Change in Fund Balance</b>	<b>(2,942,601)</b>	<b>(2,942,601)</b>	<b>(1,348,074)</b>	<b>1,594,527</b>
Beginning Fund Balance	2,942,601	2,942,601	2,920,461	(22,140)
Ending Fund Balance	\$ -	\$ -	\$ 1,572,387	\$ 1,572,387

(1) Appropriation Level

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

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

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

**URBAN RENEWAL DISTRICT - NORTH SIDE**

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/10</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/11</u>
Current:						
2010-11	\$ 546,079	\$ 13,041	\$ (1,091)	\$ 392	\$ 503,281	\$ 29,058
Prior Years:						
2009-2010	142,882	(17)	(6,531)	5,264	74,776	66,856
2008-2009	66,119	-	(227)	5,170	32,167	38,895
2007-2008	29,618	-	(119)	5,587	24,098	10,988
2006-2007	8,758	-	(101)	2,397	8,906	2,148
2005-2006 & Prior	8,848	(83)	(5,789)	650	(2,589)	6,381
Total Prior	256,225	(100)	(12,767)	19,068	137,358	125,268
Total	\$ 802,304	\$ 12,941	\$ (13,858)	\$ 19,460	\$ 640,639	\$ 154,326

RECONCILIATION TO REVENUE:

	<u>REVENUE</u>
Cash Collections by County Treasurer Above	\$ 640,639
Add Additional Tax Payments by County	
Accrual of Receivables:	
June 30, 2010	(11,011)
June 30, 2011	10,401
Other Taxes	1,168
Total Revenue	\$ 641,197



NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

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

**URBAN RENEWAL DISTRICT - SOUTH BEACH**

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/10</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/11</u>
Current:						
2010-11	\$ 1,999,514	\$ 47,752	\$ (3,994)	\$ 1,435	\$ 1,842,805	\$ 106,398
Prior Years:						
2009-2010	99,383	(10)	(1,649)	3,773	53,599	47,918
2008-2009	44,421	-	(153)	3,474	21,611	26,131
2007-2008	18,803	-	(75)	3,547	15,298	6,977
2006-2007	4,989	-	(57)	1,364	5,072	1,224
2005-2006 & prior	3,619	(46)	(1,908)	363	(1,447)	3,567
Total Prior	171,215	(56)	(3,842)	12,521	94,133	85,817
Total	\$ 2,170,729	\$ 47,696	\$ (7,836)	\$ 13,956	\$ 1,936,938	\$ 192,215

RECONCILIATION TO REVENUE:

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

**NEWPORT URBAN RENEWAL AGENCY  
LINCOLN COUNTY, OREGON**

**Independent Auditors' Report Required by Oregon State Regulations**

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# PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

November 17, 2011

## Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Newport Urban Renewal Agency as of and for the year ended June 30, 2011, and have issued our report thereon dated November 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Compliance

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

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

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

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

1. The notices of the budget committee meeting were not published five days apart, and one notice was not published more than five days before the meeting.
2. The 2010-11 budget document does not match the adopted budget resolution for the North Side Urban Renewal District that was approved by the Council.

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

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

Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants. These deficiencies are noted in our management letter dated November 17, 2011.

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

  
PAULY, ROGERS AND CO., P.C.